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# Soviet Union

## *Economic Affairs*

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# Soviet Union Economic Affairs

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Legislation Fundamentals on Income Indexation

914A0922A Moscow IZVESTIYA in Russian 9 Jul 91  
Union Edition p 2

[Text of law, issued by USSR President M. Gorbachev: "Foundations of Legislation of the USSR and the Republics on Income Indexation"]

[Text] The present Foundations define the organizational-legal and economic principles of income indexation under conditions of increasing price for consumer goods and services (consumer prices).

#### Section I. General Provisions

##### Article 1. The concept of income indexation

Income indexation (henceforth, "indexation") is a mechanism for increasing income that allows for partial or full compensation to citizens for the rising cost of consumer goods and services.

Indexation is a part of the state system of social defense for citizens and is aimed at supporting the purchasing power of their income, especially for socially vulnerable strata of the population: pensioners, invalids, broken families, and families with many children, as well as young people.

Indexation can be replaced by one-time reviews of wages (rates, salaries), state pensions, subsidies, and stipends, and other social outlays to the population as well as by other measures for regulating the income or applied in conjunction with such measures.

##### Article 2. Objects of indexation

Subject to indexation is the income that citizens receive in rubles on the territory of the USSR and is not of a one-time nature: state pensions, subsidies, stipends, wages (rates, salaries), and compensations for loss incurred as a result of maiming or other injury to health in connection with the fulfillment of labor obligations.

Not subject to indexation is income from renting property, from shares and other securities (excluding state securities), from peasant (farmer) and private plot farming, or from entrepreneurial and other economic activity serving citizens as a source of income derived from property, unless otherwise envisaged by legislation of the USSR and the republics.

Compensation to the population for losses resulting from the devaluation of savings deposited in the USSR Sberbank [Bank for Labor Savings and Credit to the Population] or invested in the certificates of that bank, state treasury obligations of the USSR, and state domestic premium bonds shall be made by changing interest rates according to procedure established by law, taking into

account the price index. This procedure shall also compensate for losses resulting from the devaluation of the population's contributions to the organizations of USSR Gosstrakh [State Insurance].

Legislation of the republics may provide for other types of income subject to indexation.

##### Article 3. Determination of the amount of income increase

The amount of income increase in connection with indexation shall be determined by multiplying the size of the income subject to indexation by the consumer price index. In the process, corrective coefficients, scales, and other standards determining union and republic minimum guarantees of indexation, as well as conditions envisaged by agreements and collective contracts between property owners or their representatives, on the one hand, and trade unions—representatives of the interests of laborers—on the other, may be utilized.

##### Article 4. The consumer price index

The consumer price index shall be calculated according to a single methodology in accordance with the procedure established by law for fixing the selection of goods and services included in the calculation of the republic's minimum consumer budget.

Observation of change in consumer prices and calculation of the index of these prices shall be carried out by the state price registration service and its republic and local organs.

##### Article 5. The procedure for increasing income

The procedure for increasing the income of the population shall be determined with respect to:

- state pensions, other than pensions paid according to the USSR law "On veteran pensions," subsidies, stipends, compensation for loss incurred as a result of maiming or other injury to health connected with the fulfillment of labor obligations—by the governments of the republics;
- wages (rates, salaries) of workers in enterprises, institutions, and organizations operating on the basis of economic accountability—by the enterprises, institutions, and organizations, independently in accordance with agreements and collective contracts;
- wages (rates, salaries) of workers in state enterprises, institutions, and organizations, carrying out their activities on the basis of budget financing—by the government of the USSR and the governments of the republics;
- monetary allowances and state pensions for veterans and supervisory and rank-and-file personnel in the organs of internal affairs—by the government of the

USSR for outlays based on union legislation, and by the governments of the republics for outlays based on republic legislation;

—wages (rates, salaries) for workers in public associations—by the public associations independently, unless otherwise envisaged by the legislation of the USSR and the republics;

—wages (rates, salaries) for the special contingent of the USSR Ministry of Internal Affairs and republic organs of internal affairs—by the corresponding ministries;

—other types of monetary income of the population—according to the procedure established by the legislation of the USSR and the republics.

Interest rates for deposits in USSR Sberbank and certificates of that bank shall be established by USSR Sberbank and the USSR Gosbank [State Bank].

Interest rates for government securities of the USSR and the republics shall be established by the corresponding ministries of finance.

Payments to the population by the organizations of USSR Gosstrakh of insurance sums, insurance pensions, and subsidies according to long-term insurance contracts shall be established by the corresponding insurance organizations.

#### Article 6. Bases for indexation

Increases in the income of citizens in connection with indexation shall be carried out given the presence of conditions determined by the effective legislation or by agreements and collective contracts.

Such conditions are:

—the threshold of indexation—the magnitude of the rise in consumer prices (for a fixed selection of goods and services in accordance with article 4 of the present Foundations), the exceeding of which shall serve as grounds for indexation;

—the periodicity of indexation—the established frequency with which indexation is carried out.

The threshold of indexation, the procedure for its application, and the periodicity of indexation shall be established in accordance with the legislation of the republics and with agreements and collective contracts.

Increases in the income of citizens in connection with indexation shall be carried out as of the first of the month following a month in which the officially published index of consumer prices fulfills the conditions for indexation established in accordance with the present article of the Foundations and with the legislation of the USSR and the republics.

#### Article 7. Sources of funds for indexation

Sources of funds for indexation are:

—for state pensions and subsidies—contributions for state social insurance to the USSR Pension Fund, the

USSR Social Insurance Fund, and other special funds, deductions to the State Employment Fund, as well as funds specifically targeted from union, republic, and local budgets;

—for compensation for loss incurred as a result of maiming or other injury to health connected with the fulfillment of labor obligations—funds out of which the wages of workers are paid;

—for stipends—budget allocations out of which outlays for stipends are made as well as funds of enterprises, institutions, and organizations that have sent graduating students (workers) to study;

—for wages (rates, salaries) of workers in enterprises, institutions, and organizations functioning on the basis of economic ability—funds allocated for consumption;

—for wages (rates, salaries) of workers in state enterprises, institutions, and organizations carrying out their activities on the basis of budget financing (health care, education, culture, research, administration, and so on), as well as for monetary allowances for veterans and supervisory and rank-and-file personnel in the organs of internal affairs—allocations from the corresponding budgets;

—for wages (rates, salaries) of workers in medical, treatment, preschool, sports, and cultural-educational institutions and organizations that are under the auspices of enterprises, organizations, and trade unions financed out of union, republic, and local budgets—allocations from the corresponding budgets;

—for wages (rates, salaries) of workers of public associations—the budgets of those associations, as well as other sources in accordance with the effective legislation;

—for deposits to USSR Sberbank and its certificates—income of the USSR Sberbank from the corresponding increase in interest rates for loans made at the expense of those funds to the USSR Gosbank, the central banks of the republics, commercial banks, and other juridical persons and citizens;

—for state securities of the USSR and the republics—allocations from the corresponding budgets;

—for contributions to organizations of USSR Gosstrakh—additional contributions to the reserve of payments for long-term types of insurance at the expense of establishing interest rates on the level of those effective in the USSR Sberbank for long-term deposits of the population, as well as targeted contributions from the union and state budgets.

Other sources of funds for indexation may be provided for by the legislation of the republics.

**Article 8. Legislation on indexation**

Increases in the income of the population in connection with indexation shall be regulated by the present Foundations, those legislative acts of the USSR and the republics published in accordance with them, as well as agreements and collective contracts.

Legislation of the USSR and the republics, as well as agreements and collective contracts, may provide for other conditions and procedures for monetary outlays in connection with income indexation as long as they do not contradict the present Foundations.

Income indexation legislation shall apply to foreign citizens residing permanently in the USSR and noncitizens possessing income on the territory of the USSR that is subject to indexation, unless otherwise envisaged by the legislation of the USSR and the republics.

**Section II. Social Guarantees****Article 9. The state guarantee on implementation of the right of citizens to indexation**

The state shall guarantee to citizens receiving state pensions, subsidies, stipends, and compensation for loss incurred as a result of maiming or other injury to health in connection with the fulfillment of labor obligations the right to their increase in connection with indexation within the limits and procedures determined by the legislation of the USSR and the republics.

Enterprises, institutions, organizations, and other juridical persons, regardless of their form of property, management conditions, or departmental subordination, must ensure the fulfillment of the indicated guarantee.

The government of the USSR and the governments of the republics shall ensure the timely publication in official publications of information on consumer price indexes, the threshold of indexation, periodicity, and other basic conditions of indexation.

**Article 10. Review of the amounts of income subject to indexation and of the rates of taxation of citizens**

The amounts of wages (rates, salaries), state pensions, subsidies, stipends, and other monetary income shall rise according to established procedure in connection with their indexation for the preceding period.

So as not to allow the removal of part of the income of the population received in connection with indexation, the minimum income not subject to tax and the rates of taxation shall be established according to the procedure envisaged by the legislation of the USSR and the republics.

**Section III. Control and Responsibility for Violation of Income Indexation Legislation****Article 11. Organs performing control functions over the observance of legislation on indexation**

Control functions over the observance of income indexation legislation shall be performed by the congresses of people's deputies, other state organs, as well as trade unions and their associations, and unions of entrepreneurs and their associations.

**Article 12. Responsibility for violation of income legislation**

Legislation of the USSR and the republics shall establish the measures of disciplinary, material, administrative, and criminal responsibility for violation of income indexation legislation.

[signed] *USSR President M. Gorbachev, Moscow, the Kremlin, 25 June 1991.*

**Decree Enacting Income Indexation Legislation**

*914A0922B Moscow IZVESTIYA in Russian 9 Jul 91 Union Edition p 2*

[Decree of the USSR Supreme Soviet, issued by Chairman A. Lukyanov: "On Enacting the Foundations of Legislation of the USSR and the Republics on Income Indexation"]

[Text] The USSR Supreme Soviet resolves:

1. To enact the Foundations of legislation of the USSR and the republics on income indexation as of the day of its publication.
2. To recommend to the supreme soviets of the republics that they bring the legislation of the republics into accord with the Foundations of legislation of the USSR and the republics on income indexation.
3. To turn the attention of the USSR government and the governments of the republics and the executive organs of the local congresses of people's deputies to the necessity of reviewing expenditures for social service to the population in medical treatment institutions, boarding schools, elementary and secondary schools, professional-technical, secondary special, and higher educational institutions, homes for the aged and invalid, and preschool and other institutions of the social sphere financed at the expense of the corresponding budgets, bearing in mind fully compensating them for any increases related to increased prices for goods and services.
4. The USSR Cabinet of Ministers, in connection with the corresponding trade union organs:
  - shall prepare and present to the USSR Supreme Soviet within two months' time proposals coordinated with the republics on the creation of a state price registration (observation) service;

- to ensure before the creation of a state price registration (observation) service the calculation of a consumer price index by the state statistical organs;
- to prepare and present to the USSR Supreme Soviet within two months' time and in accordance with article 3 of the present Foundations proposals on union minimum indexation guarantees;
- to prepare within two months' time in conjunction with the republics and to confirm recommendations for carrying out income indexation and for reviewing expenditures for the social sphere;
- to pass within the limits of their competence corresponding resolutions to ensure implementation of the Foundations of legislation of the USSR and the republics on income indexation;
- to ensure systematic observation of the standard of living of the population for various income levels and no less than once a year submit reports on the given issue to the USSR Supreme Soviet as well as strengthen the network of inquiry into family budgets;
- to ensure by 1 November 1991 the review and repeal by ministries, state committees, and departments of the USSR of their normative acts, including instructions, that contradict the indicated Foundations;
- to determine within two months' time the procedures and conditions for rendering assistance to unprofitable and low-profit enterprises, enterprises selling output and services at fixed prices and rates, as well as specialized enterprises employing the labor of invalids and societies of invalids for the purposes of ensuring income indexation for the workers in these enterprises and organizations in accordance with the Foundations;
- to bring by 1 November 1991 the decisions of the USSR government into accord with the indicated Foundations;
- to present by 1 November 1991 to the USSR Supreme Soviet proposals for bringing the legislative acts of the USSR and the republics into accord with the Foundations of legislation of the USSR and the republics on income indexation.

5. The State Bank of the USSR and the USSR Bank for Labor Savings and Credit to the Population shall ensure by 1 November 1991 a review and repeal of its normative acts, including instructions, that contradict the indicated Foundations.

[signed] USSR Supreme Soviet Chairman A. Lukyanov,  
Moscow, the Kremlin, 25 June 1991.

### Bogomolov: Consensus Needed on Privatization

914A0889A Moscow RADIKAL in Russian No 20,  
24-30 May 91 p 4

[Article by Academician Oleg Bogomolov under the rubric: "Privatization: Is It Right To Demand That We Buy Back Property on Our Own?"]

[Text] The problems of privatization are so complex that passing laws which have not yet been thoroughly thought out, and which still suffer from many deficiencies, may give rise to added difficulties in making the transition to market conditions. With respect to the essentials of privatization, the transitional stages, and so forth, there is no consensus among Soviet economists, politicians, and state officials. And this means that there are going to be difficulties in carrying out the laws.

Privatization is such a socially sensitive problem that its success may be assured only if the people and those in power can reach agreement on this subject.

It was typical of us that the process of privatization should have started spontaneously. Power has now become strongly decentralized; the republics, their oblasts and major cities, have acquired great influence. Now everybody is concerned with how to speed the transition to market conditions, and mindful of the fact that privatization is one of the central problems, they are setting about it—each in his own way. In one place they want to distribute property among the population of the cities free of charge. In another, they want to sell it.

Any exacerbation of social dissatisfaction and sense of social injustice is extremely dangerous under these conditions.

It is a simple matter to convert, let us say, a motor vehicle plant into a stock company; for the potential profits are enormous in our circumstances (especially if there is no restriction of prices). However, representatives of the Kama Motor Vehicle Plant have appealed to me, maintaining that while stock shares have been distributed among workers at the plant, several hundred thousand people live in Naberezhnye Chelna who provide services to this plant. Yet they are not shareholders, although their lives are bound up with this plant. Such social inequities are very dangerous. And bound up with them is the fact that there is no clear-cut understanding of privatization and how it should come into being.

Privatization in Poland and Czechoslovakia is proceeding far more peacefully because egalitarian ideology is not so strongly entrenched there as it is here. There the people paid no particular attention to official policy proclamations of the idea that under socialism everything belongs to the people. They never believed this (as many of us did), understanding that it was pure propaganda, incorporated into the constitution.

In reality, nothing belongs to the people except their personal possessions. Everything belongs to the state organizations and the party apparatus that maintains

control over this property, appropriates it for its own use, and then writes it off, without having to answer for it in any way.

If we say to society: Actually, it was all a lie, nothing belongs to you in this country, and if you want to own some property, buy it, please, back from the state. Will it accept this as socially just?

Is it honest, and is it just, to demand that we buy this property back? Especially since the constitution, which has been in force until the present time, states: **Everything belongs to the people.** Another rather simple question: What do we buy it with? The wage system for more than 70 years has proceeded from the premise that everything over and above basic necessities should be centralized in the hands of the state and be invested in heavy industry, military hardware, and other kinds of industrial production. The value of all state assets now is vastly greater than the available assets the people might use to acquire this property. This means that everything is going to remain in the hands of the state for many years to come. And the state, acting as property owner (not like a ministry, controlling everyone and everything, but like a majority stockholder perhaps) will continue to exert a completely dominant role.

Hence the enigma: How, in spite of this, can it become possible for the people to participate in the process of privatization?

It must continually be borne in mind that until now the people have always been obliged to bear the burden of sacrifice. Moreover, the damage that our economic leadership has inflicted, and continues to inflict through ill-advised and almost entirely erroneous decisions, has been traditionally paid for by reducing the people's consumption of goods.

The rise in prices is an attempt to shift onto the shoulders of the people all the costs of this mistaken economic policy during the years of perestroika. Meanwhile, the people's standard of living is markedly diminishing. We still do not know what the social consequences of this trend will be.

The changeover to a market economy, of course, involves sacrifices in the form of unemployment, tougher labor conditions, and competition—not only between enterprises but between workers—that is, a struggle for survival to which many people are ill-suited. All of this together poses an additional social burden. It is not possible to demand continual sacrifices by people.

This is why I advocate the idea that a certain share of **our common wealth** should be returned to the people.

How? First of all, by making an appraisal of it (no more than a rough estimate, but in terms of hard currency at world prices.) Then from 40 to 60 percent of it, say, would remain in the hands of the authorities at various levels; these assets would be intended for eventual privatization through sales made by the government bodies

themselves. It is proposed that the rest be divided among the members of society. Each person is to receive a certificate attesting to his share of the property. This amount can be used to pay for the purchase of an apartment (if there is not enough money, then it can be paid for with available credit), or to pay for a house or a parcel of land, and so forth. But the money can be used for this purpose, of course, only after the emergence of a market for housing, land, and securities.

The certificate holder can sell his certificate to a bank, which will credit his account with the appropriate amount, and he may use it for any purpose, not right away, of course, but in three or four years, because we must prevent inflation.

The main argument against this proposal, and it is a formidable one, sounds about like this: Privatization is needed not only in order to distribute this property among various owners. Primarily, it should serve to promote new investment and to make the enterprises more capable of competing. The main thing is to invest the money so as to upgrade production.

That is true. But, in the first place, money derived from the proceeds of the sale of state property is in itself valueless [pustyye] since it represents no real material increase. And if we put such money into circulation, how soon we will have to contend with an inflationary trend, I don't know. Even in the event of the sale of state property, the amounts obtained from the population and the national economy will have to be frozen and kept out of circulation for a certain length of time. Only in this way can we restore the soundness of the monetary system. But if they put this money back in circulation, it is easy to imagine where it will go; it will go to make up the budget deficit and finance the military-industrial complex—in short, for nonproductive purposes. In that case we will never escape the inflationary spiral.

The alternative, which envisions the sale and distribution of a part of the value, by no means precludes the prospect that money gained from the sale of stock shares may be used for additional investments.

If we evaluate our property in terms of hard currency and real prices, the total value of it will prove to be many times greater than the assets possessed by the people. Nothing frightening will happen therefore if we distribute a certain proportion of this vast sum in the form of certificates worth five or ten thousand dollars each.

It seems to me that the very idea of privatization should not be boiled down simply to the conversion of state enterprises to property ownership (by various individuals and small or large collectives).

I think therefore that the first thing that should enter into our conception of privatization in our present circumstances is the conversion of the enterprises while still owned by the state to operating under market conditions. It is necessary to place them under conditions of market competition, self-financing, and the struggle for

survival, so that they are able to function as private enterprises (even though, officially, they remain state institutions). They must be able to survive; for no one is going to cover their losses. This is the way that state enterprises operate in the West. It is what is referred to as "commercialization" in the reports of the International Monetary fund and the European Economic Community.

Property relations change, of course, under such conditions. An enterprise is, in effect, leased to the collective management by the state. But the state is no longer in a position to dictate what kind of products will be produced or to set prices arbitrarily and say what products will be sold to whom. In short, the enterprise has a rather large amount of freedom in the market.

It is necessary to consider such a transitional stage in the process of privatization since it is, in effect, impossible for an enterprise within a very short span of time to change over from one system of property relations to the other.

It is extremely important now to revise the conception of property ownership (apart from whether one is referring to state ownership, joint ownership, or stock-sharing, etc.) because it is one of the keys to a modern economy, presupposing freedom of producer and consumer, competition in the market, and the dependence of property status upon achieving results in making use of the property.

It has long been time for Soviet economists to redefine the meaning of privatization because to those who have been raised in the spirit of Marxism it sounds like a call to revise Marxism, in accordance with the tenets of which we ought to condemn private property as the source of all the ills that man has come up against, thereby making a switch to private property ownership out of the question.

In the minds of most people, particularly economic managers and party workers, the word "privatization" is for some reason always associated with the property of one person—that is, a single capitalist, who owns everything, while others are left with nothing. But there is a different conception of capitalism than that which exists in the West, where state and private property are distinct from one another, and this includes ownership by not only one person (or one family) but by stock shares, companies, cooperatives, etc.

When we speak of privatization therefore, we need to include in our definition the modern sense of the word, as it is used in the whole of world economic literature; we need to reconcile our understanding of it with that of the thought and practical experience of other countries.

There is one other important factor. We are making the transition to the free market under the most inauspicious of conditions. In declaring our intention to make the transition to real market conditions, we began by destroying those quasi-market conditions which had

existed within the framework of the administrative system and which had played an extremely important role. We devalued our currency, and therefore instead of market relations, a system of barter exchange arose among us. Most important, by destroying the existing monetary system, we undermined material incentives to work. Hence the collapse of labor discipline and a fall in the volume of production. Why work for money that cannot be converted into goods? For this reason not only experts and scholars but more and more political figures endorse the view that in order to switch to a market economy, it is necessary to begin by restoring the soundness of our monetary system—to make our money real.

This is the only way—to achieve a greater amount of production on the same grounds, and in plants as yet not modernized, by changing the attitudes of people with respect to work.

To achieve this, however, it is necessary first to change property relations, because this change, which is privatization, creates an enormous amount of material incentive. For if something belongs to you, you try to make better use of it.

One thing more. Real material incentives cannot take hold immediately if there is no system for earning real money. One of the primary tasks for us today is create real money and thereby offset inflation, which threatens to spiral into hyper-inflation. This poses a very difficult problem. To bring the total money supply into correspondence with the amount of goods available is possible either by curbing the people's purchasing power and lowering consumption, which our government, of course, knows how to do and is doing, or else by expanding the supply of the goods themselves. But to expand the production of consumer goods and foodstuffs rapidly is impossible. (It would be possible to expand the production of foodstuffs if we launched a radical reform of agriculture, but we are extremely cautious in this respect and progressing only very slowly.) It is possible for us to expand the production of goods for the market if we include in a system of market exchange new commodities that heretofore have always been excluded from circulation—namely, land, forests, mineral resources, houses, apartments, and shares of stock. These assets constitute an enormous source of wealth.

If we link privatization to the task of stabilizing the monetary system—that is, by including such property in the overall system of commodity circulation—we will succeed in this task more rapidly. For money must be properly secured, and such a form of security as real estate offers a sound basis for stabilizing the money turnover and guaranteeing the solvency of our currency.

This process, however, presupposes a knowledge of the value of our property. If we cannot appraise this property (and it poses quite a difficult problem), then it is going to be difficult to use it to secure the soundness of our currency.

**Tsipko: Change in Mentality, Constitution Needed for Market**

914A0890A Moscow RADIKAL in Russian No 20,  
24-30 May 91 p 5

[Article by Professor Aleksandr Tsipko: "Without Changes in Ideological and Political Conditions Privatization Is Hardly Possible in Our Country"]

[Text] We have been deluded into thinking that ideological conditions are not very important. I tried to demonstrate this idea before the regular USSR Congress of People's Deputies: If we do not change our existing constitution with its preamble about communism and the construction of developed socialism, our democracy and all of our economic transformations will be illegal. They contradict the basic law of our country and a return to the past is possible at any time.

People ask me: Do you attach significance to a piece of paper? A piece of paper does not mean anything. When the real economic changes take place everything else will change as well.

Recently Nikolay Shmelev and I were discussing this problem in connection with the announcement of the creation of a new social democratic party. What struck me was that really sensible people do not understand that under modern political conditions it is impossible to combine the restoration of the Russian social democracy of 1903 with the renewal of a market economy in our country. They cannot be combined because social democracy by its nature addresses different problems. It can redistribute, collect, and find a mechanism for social protection. But the restoration of the market means not simply the restoration of the subject of the market, finances—it is the restoration of a subculture.

And this is what I would like to draw attention to. In my view, up to this point our country does not understand that the market is by no means simply a system of economic mechanisms. It is a particular ideological and social subculture. And our present task cannot be reduced to creating purely economic conditions. Our unique historical task is simultaneously to restore the totality of ideological and political substructures which historically have corresponded to the market. This is the understanding we do not have.

And hence the illusions that it is possible, without changing ideology, without changing our Constitution, without changing the ruling party itself (it is called Communist)—to restore the market in this country.

And it seems to me that today the main problem on which all economic transformations depend is the lack of understanding of the need for deep structural changes in the ideology of the political superstructure.

I am in favor of optimal paths—consensus, agreement. But as a person with common sense I do not believe that it is possible to change over to the market in a country ruled by the Communist Party, which 70 years ago was

working on undermining the conditions for the market and bore an ideology of expropriation, and all of its social philosophical and spiritual content was directed against the ideology of the market. I do not believe in such a miracle.

I am certainly not a proponent of radical, rapid changes. It is not a matter of who will change the system or by which methods; the main thing is to understand that we have set for ourselves the historic task of returning to civilization, returning to the market. And we must at least change the legal status of this state as a communist state.

But the illusions are widespread, not only among our intelligentsia, who are trying to depart from communism and arrive at a new type of social democracy, to return to 1903, but, unfortunately, in the West as well. I was struck by the fact that the German Social Democrats, just like the representatives of our communist apparatus, seriously think that it is possible to change over to the market without changes in ideology. In my view, this is impossible.

We all think in broad categories and we all know of the widespread viewpoint that in Russia it is impossible to change over to the market at all, that the basic prerequisites for this transition do not exist here, that this country is antimarket and genetically linked to communal property, that the reason for October was that we do not have the sociopsychological conditions for a changeover to the market. And they refer to this to substantiate the notion that the country is not in a condition to change over to the market.

I am convinced that a considerably more important impediment on the path to privatization than the so-called Russian communal syndrome is the paucity of serious changes in ideology and the lack of consistent withdrawal of the party from state structures, the Army, the KGB, and law enforcement organs.

The syndrome of a mistrust of authority has been instilled in several generations of Soviet people. And unless they have a deep conviction that authority has changed in this country, nobody, will ever, under any conditions, get mixed up in a real market. There will be self-seekers. Those who want to get rich in three or four years. But there will be no real market, where there is a tendency toward accumulation—this is possible only in places where there is a sense of stability of conditions. We are held firmly in place by a subconscious fear as a reaction to the history of Soviet power, fear of the next expropriation.

The problem, in a word, is not so much one of shortcomings of psychology as one of the people's lack of confidence in the idea that the country has really departed from the communist legitimacy.

Even in the West the opinion is very widespread that our most important hindrance on the path to the market is the ideology of the Russian community. Of course, there

are remnants of this ideology. But even before 1917 they were entrenched only on a very narrow Russian territory. This is a problem of the eight to 10 Russian provinces. In the Ukraine there is no trace of any kind of a communal foundation. In the Northern Caucasus, Krasnodar, Stavropol, Rostov Oblast, and Siberia—there was no communal syndrome either. I am speaking about people, about the way they are prepared to accept a market psychology. Among these people there are many who are capable of taking responsibility and capable of restoring market relations.

In a word, the situation with respect to the psychological preparedness of the population for the market is not so terrible. And with a change in ideological conditions there are all the objective sociopsychological and spiritual conditions for the beginning of a successful advancement toward the market.

Usually as an objection people give the example of present-day China and our NEP [New Economic Plan]. But China is the classical confirmation of the fact that it is possible to make just a little bit of progress, for instance the extensive change in agriculture, at the expense of Chinese diligence. And nothing else. But qualitative changes are impossible unless you change the structure and ideology of political power. And one must give Chinese scholars their due for coming out and saying that these structures are not reformed, for writing articles as early as 1983 saying that socialism was not reformed. And for Chinese scholars the very idea of restructuring as a new kind of socialism was utopian.

The experience of the NEP is another classical model that confirms my viewpoint. The NEP was a policy whose wings were clipped: The economy changes, some things come to life, but the superstructure of the age of war communism remains! The orientation toward communism remains, the Communist Party rules, and a tendency toward equalizing psychology is present. The NEP was doomed from the start. And phenomena like Stalinism had to appear. Now one can understand the appearance of Zinov'yev and Kamenev at the 14th party congress with criticism of the Bukharin and Stalin group. They draw attention to an objective contradiction: On the one hand, the communist revolution, communist ideology, and the superstructure was all communist. On the other was the market and "get rich." So you decide which one you want.

And the volume of commercial production in agriculture, which was discussed as if it were a miracle, amounted to only six percent of the commercial production in 1913. This shows that the political mistrust and the lack of a market infrastructure force a person to wait, save up, and hold out.

### Rules of Hard Currency Exchange Operations Outlined

914A0899A Moscow *DELOVOY MIR* in Russian  
15 Jun 91 p 4

[Article by Aleksandr Tutushkin: "We Have the Rules. All We Need Now Is Hard Currency..."]

[Text] On 31 May, V. Gerashchenko, chairman of the Board of the USSR Gosbank [State Bank], signed the "Rules for Conducting Operations at the Center for Interbank Hard Currency Operations (Hard Currency Exchange) of the USSR Gosbank." We are publishing a description of these rules with some comments.

The center enters into buy-sell hard currency deals with its members, or puts together two-way deals between them, and handles all payments on such deals; it also determines the current market rate of foreign currencies in relation to the ruble, and organizes the USSR Gosbank operations aimed at supporting this rate.

It is assumed that support of the rate will be accomplished through hard currency interventions on the part of the USSR Gosbank, that is, massive selling or buying of hard currency. For this, however, one must have sufficiently large hard currency reserves. It appears that today this is a serious problem for the Gosbank.

According to the rules, only registered members of the exchange and the USSR Gosbank may participate in trade.

Members of the exchange may be authorized banks, the USSR Bank for Foreign Economic Activity, and financial organizations that have the right to conduct hard currency operations based on USSR Government resolutions.

According to Aleksandr Potemkin, director of the Hard Currency Exchange, membership will be granted to banks that are realistically ready to represent a sufficiently large number of clients in both buying and selling hard currency. They should be versed in the mechanism of exchange operations—have corresponding hard currency accounts abroad or at least in Soviet banks that have such accounts—and they should have skilled personnel, capable of managing hard currency accounts for a sufficient number of enterprises and of conducting operations on them. A recommendation to be accepted as an exchange member comes from the USSR Gosbank. In making this recommendation it takes into account such indicators of banking activities as the number of accounts and amounts on deposit, the existence of a sufficiently wide network of corresponding relations with foreign banks, and financial stability. Today the center's membership includes ten banks and one financial organization. Their total liquid assets are 2.5 trillion rubles [R]. This means that the exchange represents the flagship of our banking system. In the near future, several more banks will join in. In the more distant future, when a developed banking infrastructure to serve

hard currency operations has emerged in the country, it will become possible for brokerage firms to participate in the work of the exchange.

Members of the center pay a one-time membership fee of R20,000 and a contribution to the insurance fund in the amount of \$50,000 and R150,000.

To buy or sell hard currency, the client (enterprise) submits an application in an established format to an authorized bank, as well as the following documents:

- to make payments for imports: a copy of the contract that confirms the amount and due date of the payment, and a copy of the import license;
- to make interest and principal payments on a loan: documents that confirm the issuance and the terms of credit;
- to transfer dividends abroad: a notarized decision of the enterprise's supreme organ on the transfer of dividends.

Accordingly, hard currency may be purchased by clients and authorized banks to pay for imports, to make payments on credits, to transfer dividends abroad, and to sell currency to citizens traveling abroad. To purchase hard currency in the amount equivalent to \$3 million, the client must obtain special permission from the USSR Gosbank.

Those in the Gosbank believe that restrictions on purchases of hard currency are a forced measure, caused by an imbalance of our finances and the necessity to somehow reduce the demand for currency. The auctions in the Baltics follow more liberal rules, and they may turn out to be more attractive for some clients. The exchange rate there is substantially higher, however, precisely for this reason. Not everybody can afford this. Limitations on hard currency purchases are being received quite negatively in business circles. The probable reason for this may be that, although the rules have not been published yet, misinterpretations are already afloat. KOMMERSANT No. 23 reported that on 5 June V. Gerashchenko had signed a document changing the rules of the exchange (the Gosbank ostensibly will now arbitrarily bar from participation in the auction those applications for hard currency purchases which are intended to pay for imports of computers, automobiles, food, and mass consumption goods). According to A. Potemkin, there is no such document and nobody has changed the rules. What did happen was that a letter was sent to the exchange members, signed by a deputy chief of Gosbank's hard currency-economic department. It recommends that in considering applications for hard currency purchases, lowest priority be given to those that are intended as payment for the goods listed above (with the exception of food, which is not mentioned in the letter at all). This does not at all mean an arbitrary "removal of undesired clients from participation in the auction," as KOMMERSANT claims. Proof of this is the auction that took place on 11 June. Most of the hard

currency sold there (\$7.84 million) is intended for payments for precisely these, ostensibly "banned," goods.

The purchased currency is put into special accounts in authorized banks. If the client has submitted the documents listed above, the currency has to be used within two months from the day it is posted to the account, and only for the designated purpose. If the client does not have the documents, they must be provided within 15 working days from the date the hard currency is posted to the special account. Otherwise the bank is obliged to sell the currency at the next auction.

The sums of hard currency handled in buying and selling must be in the multiples of \$10,000. This is also the minimum amount for which an application may be submitted.

Each auction starts with the rate fixed at the previous auction. If the sum of hard currency offerings exceeds demand, the brokers lower the rate, and vice versa. The rate is changed in increments of R0.1. The rate gets established when the demand and supply balance. This is the rate that is used for all deals made on that date.

If the volume of operations at the auction does not reach \$10 million, the current hard currency rate for non-trade operations conducted by citizens does not change.

Transfer of money to the exchange account is done on the second day after the auction; the exchange makes payments to its counter-agents on the third day. In case there is a delay in transfers from the auction participants, the exchange will use the money from the insurance fund and credits to accomplish the pay-out. Those guilty of delay are subject to fine; if the delay lasts 30 days, they are dropped from the exchange.

This high speed of the pay-out operations sets the exchange favorably apart from other hard currency auctions where the pay-out period sometimes is stretched into several weeks. Members of the exchange always have the certainty that they will get their money quickly.

For acting as the organizer of trade operations, exchange members pay the center a 0.3 percent commission on the amount of the deal; in turn, they charge commission for acting as middlemen for their clients and authorized non-member banks, up to 1.3 percent of the amount of the deal. Sellers of foreign currency pay in rubles, buyers, in hard currency.

#### Stock, Commodity Exchange Development Reviewed

914A0907A Moscow IZVESTIYA in Russian 5 Jul 91  
Union Edition p 2

[Article by M. Berger: "Events and Comments"]

[Text] The second congress of the Congress of Commodity Exchanges, an independent public organization which announced its establishment a month ago, when

the Interregional Commodity Exchange Federation was meeting, has been held in Kiev.

It is slightly more than a year since the first commodity exchange emerged in our country, and now more than 500 commodity exchange people are already establishing their federation. It was after all quite recently that one of the chief captains of our economy said before retiring: "I am in favor of a market for capital, just so there are no stock exchanges." Today, there are exchanges of all kinds—commodity exchanges, stock exchanges, and general-purpose exchanges—numbering considerably more than 100. It is difficult to give the exact figure, because new exchanges are springing up in large numbers in cities and next to grain elevators, and the issuance of licenses is just beginning. By contrast with the two earlier market-oriented prototypes of the market—the cooperatives and joint ventures—the commodity exchanges unquestionably have far greater chances of stable development and operation. And the reason is not only that the times today are somewhat different than in the dawn of the cooperative movement. One of the reasons for the success of the new structures is that they have brought together not only "dissidents" in the state sector of the economy, people who are infinitely irritated about the prices of their services, but also representatives of state structures who want to get a taste of the charm of the market.

The exchanges have reconciled society to commercial activity and even brokerage, so essential to the market and until recently so hateful. People became reconciled both because legislation has become more loyal toward business enterprise and because wholesale prices in our country have traditionally not been a concern for the overwhelming majority of the population. A pair of shoes costing 1,000 rubles [R] in a cooperative shop evokes the stormiest emotions, but a wholesale lot of offset paper sold through the exchange at a price that is fivefold or sevenfold higher does not disturb anyone except the participants in the deal.

There is another reason why a favorable environment is being created for the exchanges. The time of "primitive accumulation of political capital" came precisely at the time when the cooperatives were emerging, and there were a great many politicians starting out who tried to earn points by taking on business enterprise out of zeal for the interests of the people. Today, it is increasingly difficult to pick up votes that way. What is more, the traditional structures have begun to give the exchanges not only indulgent attention, but also capital and space, and they are even willing to help out with supervisory personnel. Indeed, even the government itself has begun to turn toward the exchanges to some extent. Not only in a formal sense (V. Shcherbakov, first vice premier, took part in the proceedings of the Interregional Federation of Exchanges), but also in practical terms. For example, a proposal is being examined whereby trade with republics which do not sign the Union Agreement would be conducted in prices that would be coordinated on union-level exchanges.

State enterprises, state supply services, and representatives of the executive branch are as a rule among the founders of the exchanges along with the purely commercial structures. A danger arises here that some of the exchanges will in actuality not constitute the rudiments of the market, but will be a perpetuation of the old command structures. For example, will the republic joint stock company "Ukrainian Exchange" operate according to market rules? On the one hand, it served as the organizer of the congress of the Congress of Commodity Exchanges, which took place in Kiev, while on the other its stockholders and founders include the Ukrainian Construction Ministry, three other republic ministries and departments, the Kiev Gorispolkom [City Soviet Executive Committee], Ukrpromstroybank, and others, and in fact its very president, V. Babich, has in the past held a responsible post in one of the ministries. But the rapidly growing number of exchanges allows one to hope that the high level of competition among them will either turn the administrative structures into market structures or will remove them from the game.

And thus the mixture of a public rising up from the grass roots that is oriented toward the market and representatives of the economic "establishment" looking for their place on the market is yielding this kind of appreciable and, by all appearances, stable result.

In the very short period the exchanges have existed, these islands of the market in our economic life, which is still administratively regulated, have been able to draw into their orbit virtually everything that has a price and whose sale is not prohibited by law. To judge the breadth of the coverage, one needs only to look at the names of some of the exchanges: the military-industrial exchange, the timber exchange, the nonferrous metals exchange.... And participation in the real game of the market has proven to be so attractive that firms and organizations, including those which are purely state-owned, are not sparing the millions to obtain a seat as broker on an exchange, that is, the right to do business at unrestricted prices.

The creation of joint stock companies also stimulated the emergence of stock markets, which at present are still far from what is referred to as a stock market in the West, but its prospects are quite definite. According to information of the Economic News Agency, about 800 joint stock companies are now entered in the register of the finance ministries of the USSR and RSFSR. The total value of securities they have issued is estimated at approximately R16 billion. As they say, there is already something to talk about. There are more than 18,000 enterprises in the process of issuing stock, and the value of their stock could go as high as R190 billion. And the most optimistic estimates show that if the process of privatization progresses favorably, Russian enterprises alone could issue securities in a total amount of R1.2 trillion.

Today, the exchanges are playing yet another important role. Quite often they establish commodity flows

between regions which politically are not talking to one another. The Congress of Commodity Exchanges has called upon the heads of the republics to abolish or loosen the licensing requirements restricting the movement of goods sold through exchanges which are members of the congress, thereby guaranteeing that the deals are above-board and the economic interests of the republics are observed.

Of course, the politicians may not respond, but it is more likely that life will force them to reexamine certain positions. At least in East Europe certain shifts have been noted in a new direction. CEMA [SEV in Russian] had not been officially buried when representatives of commercial circles of the former socialist countries suggested to the Russian Commodity Exchange that it take part in creating a new international organization that would be called the Council for Economic Interaction—SEV. This was recently reported by the weekly *KOMMERSANT*. We will hope that the economic SEV will prove to be more fortunate than the political one.

The exchanges have already matured not only to the point of influencing economic policy and shaping a unified space, but also to the point where they are internally stratified on the basis of property, which indicates that the system is developing very rapidly and freely. The very existence of the Exchange Congress, which separated from the Interregional Exchange Federation, is the principal evidence of this. To be sure, the leaders of the congress say that they are continuing to operate within the limits and as part of the federation, but in practice the congress represents an assembly of the richest and most influential. The contribution required to join, amounting to R500,000, plus R1,000 for every member of the exchange, immediately reduced by two-thirds the number of members as compared to the Interregional Federation. The congress also claims the right of certification of exchanges and brokerage offices and there is a possibility that the certificate will be recognized as an international document. It is not precluded that for that reason the Interregional Federation, which is deliberately restricting itself solely to consultation, will not take up influential positions in the exchange movement and will leave them to the congress.

Although it is not so important who will set the tone in the exchange industry, it is far more important that the exchanges are having an ever more noticeable influence on the country's economic climate.

#### Interrepublic Economic Commission Session Reviewed

914A0904A Moscow *PRAVITELSTVENNYY VESTNIK*  
in Russian No 25, Jun 91 p 3

[Report by Yu. Rytov under the rubric "Economics, Time, and Us": "A Difficult Road to Agreement: Notes from the Meeting of the Interrepublic Economic Commission"]

[Text] As was already reported, the meeting of the Interrepublic Economic Commission under the chairmanship of V. Doguzhiyev, the first deputy prime minister of the USSR, was held on 7 June.

It began with something unexpected. Looking around the hall, V. Doguzhiyev discovered with surprise that the representative of Russia, first deputy chairman of the RSFSR Council of Ministers Yu. Skokov, was missing. And no one was there to replace him. The hall started to buzz with indignation.

In fact, there was something to be indignant about. For many years people in our country used the elegant formula: "First Among Equals." That was how Russia's place in our long-suffering Union was defined. Now no one dares to apply this formula. The sovereignty of the republics has become a real fact and is filled with meaning. But still... Russia's potential is such that not one major interrepublic economic problem can be resolved without its participation.

The concept of "unified economic space" recently appeared in our country. What does that mean? With all respect for the state sovereignty of the republics and for their political pluralism, economic ties between them should certainly not be severed. On the contrary, they must be strengthened and developed in all possible ways. And the point here is not just the division of labor which has taken shape historically, although this in itself is extremely important. But observance of the immutable law of economics is no less important—specialization and cooperation of production, both on the global and the regional scale, is the only possible path toward a highly efficient economy. If we open a statistical manual, we encounter an apparently paradoxical fact. Many fewer shoes are produced in the United States than in the Soviet Union. But that does not at all mean that Americans are going barefoot. Americans import shoes from other countries; it is cheaper for them!

As yet economic isolation has not done anyone any good. Let us recall, for example, Albania, which adopted a policy of so-called self-support and as a result found itself taking a backseat in Europe, in the literal sense. And the exact opposite example can be cited. Japan, with essentially no raw material resources of its own and gathering them little by little, "a bit here, a bit there," was able to achieve unprecedented prosperity by buying up scientific and technical ideas, once again all over the world.

In short, sovereignty is sovereignty, but people want to be well fed, dress well, and have a good roof over their heads. And the only possibility of satisfying their simple human needs—not today even, but at least in the foreseeable future—is to conserve and strengthen the unified economic space. Work together for the common good.

Fortunately, political and state figures have at long last recognized this simple truth. All the sovereign republics (other than Georgia, which has not even responded to

the invitation) have consented to participate in the work of the Interrepublic Economic Commission.

So have the other five joined the nine republics which signed the celebrated "Joint Declaration"? Let us not rush to conclusions, not everything is so simple. Two republics, Lithuania and Estonia, have expressed readiness to participate in the Commission's work, giving their representatives the status of observers. After intense debate this proposal was categorically rejected. Why? Because the sovereignty and equality of republics in no way gives them the right to secure the "good life" for themselves at their neighbors' expense. Representatives of the "raw material" republics said bitterly: unequal commodity exchange with "equals among equals" continues even now. In particular, the Baltic republics, which receive raw materials at cheap prices as compared to the world level, process those materials and sell finished output at super-high prices, once again as compared to the world level.

"Is it then really so surprising," asked the representative of Kazakhstan, "that national income per capita in our republic is 30 percent lower than the average for the Union? And what are we supposed to do in this situation? Raise prices for raw materials? Or look for other mutually acceptable solutions. But look for them with the authorized representatives of the republics rather than with observers."

The Interrepublic Economic Commission decided to present its viewpoint to the governments of Lithuania and Estonia once again. That is, in fact, an intelligent solution in keeping with today's realities. The times have passed when you could pound your fists on the table and present ultimatums to the republics. Now we must convince one another, we must seek compromises and the road to agreement.

But nonetheless, what will happen to the sovereign republics if they abandon the unified economic space? If they do not agree on the Commission's reasoning and refuse to send their authorized representatives to Moscow to participate in its work? Should we sever economic ties? Certainly not. In this situation these ties must be developed in every possible way. But on a different basis.

Two variants are possible. The first is accounts for delivery of output in world prices. It is clear what a tangible benefit the "raw material" republics would get from that. And the second is working on the basis of bilateral relations—where two parties participate in negotiations and come to agreement much more easily than when there are 15 of them.

However, we must await the response of the governments of Lithuania and Estonia.

Here we should obviously answer the question which occurred to readers quite a while back. What, exactly, are the functions of the Interrepublic Economic Commission and what is its purpose? Just such a question was on

the agenda of the meeting. A draft of a statute for the Commission was discussed. Unfortunately, the text of the document was sent back for more work. Nonetheless, we can talk about the most fundamental aspects of its activity even today.

The Commission is an interrepublic organ of state management of the USSR formed to monitor the fulfillment of economic agreements of the USSR and the Union republics. Its duties are fairly diverse and broad. Analyzing progress in fulfilling agreements. Developing additional measures to realize them. Preparing drafts of normative enactments necessary to fulfill the agreements. Doing preliminary study of drafts of new agreements. Reviewing disagreements on economic and social issues between republic organs as well as between the organs of the USSR and the republics.

As we see, even these preliminary phrasings (let us repeat—they may be refined and changed) are extremely precise and considered.

Do the sovereign republics need an administrative organ to administer justice and mete out punishment? I think the answer is clear: not at all! The Commission's basic task is to find the road to agreement among the republics, even though such a road is a very difficult one. This thought was emphasized at the meeting in the speech by the first deputy prime minister of the USSR, V. Doguzhiyev.

But the representatives of Uzbekistan went even further. They proposed to give the Commission the status of an organ formed under the Federation Council and thereby granting it purely conciliation functions. The proposal was not accepted.

However, as is well known, each organ or organization, in addition to duties, should have rights. Does the Commission have them? The issue of rights, or rather economic sanctions which it may use, was discussed at the meetings quite intensely. These sanctions looked quite impressive in the draft of the statute. They envisioned, among other things, reducing the volume of resources allocated centrally and the time to allocate them and changing the conditions for offering them. And suspending (or stopping) deliveries of output (or performance of jobs and services) to those who violate the agreements even to the point of redirecting shipments and charging losses to the account of the violator enterprises or the republic budget.

Is that harsh? Of course! And the Ukraine proposed rejecting such measures of economic impact. This proposal was not accepted either. But even the draft itself has not been accepted yet. We will wait for the final text of the document and inform the readers of it without fail.

However, let us return to the agenda. It should be noted that although the draft statute on the Commission's work has not been ratified yet, this is already the third meeting. And a tradition has become established which

must certainly be welcomed. Each meeting begins with analyzing the performance of decisions adopted by the Commission earlier.

But just what has the new interrepublic organ managed to do? It has prepared a draft of the normative document on deliveries of agricultural output to state reserves. It has adopted a plan of measures to revive the activities of enterprises and production facilities which were stopped for ecological or other reasons. It has formulated the draft conception of material-technical supply to the economy in 1992.

But these are plans and drafts. Are there concrete, practical measures which affect people's needs today? Yes, there are. The work of transport systems has been renewed in Georgia. The export of state reserve grain from Kazakhstan to other regions has been accelerated. Purchases of 1990 harvest grain with payments in hard currency have been accelerated. Polyethylene film will finally begin to be delivered to the country's southern regions.

But what has not been done? The Commission's decisions on changing the status of USSR Gossnab's [State Committee for Material and Technical Supply] wholesale-intermediary firms and making them work more efficiently are not being fulfilled. Formulation of schedules for resuming the activity of certain important national economic installations has been delayed. And, of course, the most important thing, the issue of payments into the Union budget and nonbudget funds this year as well as issues of centralization of hard currency of Union enterprises demand even more study.

We should most likely dwell on this extremely important problem in slightly more detail. As of 24 April, 130.2 billion rubles' worth of payments into the Union budget had been made by the republics this year. That is R30.4 billion (or 19 percent) less than the sum envisioned by agreements (or protocols of agreements) between the republics and the Center. Payments into the stabilization of the economy fund are at a level of R37.7 billion, or R1.1 billion (23 percent) less than what was envisioned. Payments into the unified fund of social support of the population came to R1.7 billion. Which is R51.8 billion (97 percent) less than plans of the finance organs!

That is how things are. In addition, most republics did not adopt the proposals of finance organs and other Union departments on payments into the unified fund of social support of the population. It was clear from the discussion of this extremely important issue at the Commission's meeting that it requires additional careful and comprehensive study.

Now, when the wave of strike movements has receded (and we hope that it will not hit us again), restoring normal economic ties is becoming the main factor for stabilizing the economy. Of course it would be ideal if they establish themselves on the horizontal, on the enterprise level. But we will get this phenomenon in its

pure form when the laws of the market triumph completely. But for now... For now the transitional period continues and our economy, which is accustomed to management from the Center, unfortunately cannot do without state regulation.

The Interrepublic Economic Commission is essentially taking its first steps. But its approaches to the work and its distinctive features have been clearly outlined. Respect for the sovereignty of the republics and a search for mutually acceptable solutions.

Truth is the same for everyone. That is what folk wisdom says. There cannot be one truth, let us say, for the Lithuanians and another for the Russians. One and the same truth exists for the Moldovans, and for the Uzbeks, and the Tajiks, and so on. We must live according to the laws of economics which objectively exist and objectively operate, whether we want to or not. We must work together and work as friends. Common folk sense must be pitted against the embittered intrigues of the newly hatched politicians of various stripes from all regions.

I would like to emphasize especially that the Commission can now rely on a fairly strong base in its work. As V. Pavlov, the USSR prime minister, reported at the session of the Union parliament, practically all republics are now supporting the anticrisis program. There are, it is true, disagreements with the Ukraine and with Russia regarding the federal tax and division of property. The Baltic republics intend to participate in realizing the program within the framework of the economic agreement which they are prepared to conclude with the Union.

The road to agreement among sovereign republics is a difficult and acutely painful one. But there is nowhere else to go—this road must be taken.

#### **USSR, RSFSR Foreign Investment Laws Compared**

914A0896A Moscow *DELOVOY MIR* in Russian  
4 Jun 91 p 4

[Article by Yuriy Kon: "Welcome, Investors!"]

[Text] Today in our country there are few people who doubt the benefits and necessity of foreign investments in the economy. This is confirmed, for example, by the fact that the USSR Supreme Soviet is reviewing a draft of the Principles of Legislation on Foreign Investments in the USSR [Cf. *DELOVOY MIR* dated 17 May 1991], while the Russian parliament is considering a draft of the RSFSR law "On Foreign Investments" [*DELOVOY MIR* dated 28 May 1991].

In the epoch of the so-called "war of laws," the absence of any significant differences between these two draft laws is very encouraging. Moreover, the texts of many articles coincide completely, while in other cases the articles of the draft law simply specify and detail the articles of the Principles draft. That is as it should be! It

seems that reason is beginning to prevail over emotions and the spirit of the Novoogarev agreements is having a favorable influence on lawmaking activity.

Of course, there are also some divergences between the draft laws. Let us examine the most important ones.

The draft of the Principles (Article 2) points out that investors may be not only international organizations, foreign states, legal persons and citizens, but also persons without citizenship. In the Russian draft law, however, the latter are not mentioned, which in my opinion needlessly narrows the circle of potential investors.

Article 10 of the Principles draft states that in the case of cessation of activity of an enterprise, the foreign investor has the right to return of his share of the property in a monetary or commodity form based on the residual value at the moment of cessation of enterprise activity. The draft law (Article 7) defines the value of the share in world prices, which, of course, is more fair.

The Russian draft law (Article 31) provides for the possibility of enterprises with foreign investments voluntarily joining into unions, associations, concerns, inter-sectorial and regional associations. However, unlike the Principles (Article 17), it does not mention the possibility of their participation in such associations created by Soviet enterprises. The position of the Principles draft authors seems more reasonable.

Article 16 of the Principles draft states that an enterprise with foreign investments in which the foreign investor's share comprises less than 50 percent cannot participate in the property of other Soviet legal persons, while the portion of participation of enterprises with foreign investments in the property of other legal persons may not exceed 50 percent of the latter's charter fund. These limitations are absent in the draft of the Russian law, which from my standpoint is quite correct.

I believe the position of the RSFSR draft law according to which an enterprise with foreign investments is given the right to conduct bookkeeping accounting and reporting according to the effective regulations in the country of location of the foreign partner (Article 38) is incorrect. The Principles draft (Article 25) does not offer enterprises such a possibility. Rather, they are obligated to perform operational and bookkeeping accounting, as well as statistical reporting, according to the laws in effect in our country.

The draft of the Principles (Article 24) gives state agencies with general or special control functions the opportunity of verifying, within the limits of their competence, the adherence to requirements of the effective legislation by an enterprise with foreign investments. The RSFSR draft law, unfortunately, makes no such provision. Yet such a standard is absolutely necessary, because otherwise there may be violations of requirements on ecology, labor safety, sanitation regulations, etc.

These are the six main differences between the union and Russian draft laws which—we will hope for the common sense of the people's deputies—we will be able to overcome.

Yet in any case, the adoption of these legislative statutes will be a most important step along the path of ordering mutually beneficial cooperation of our country's business people with foreign partners. The drafts provide them with reliable guarantees of stability of such cooperation. Specifically, the interests of investors will not suffer even in such situations as nationalization or cessation of activity of an enterprise and change in legislation (Articles 8-12 of the Principles draft and 5-14 of the draft law).

In conclusion, I will allow myself to make two critical comments addressed to the authors of both draft laws. It seems to me that the limitation on the rights of enterprises with foreign investments to use currency is entirely unjustified. Thus, payment for delivery of goods and provision of housing and other services on USSR and RSFSR territory must be performed only in Soviet rubles (Part 2, Article 18 of the Principles and Part 1, Article 30 of the draft law). We cannot understand the reason for such limitation, especially if we consider the fact that all the press organs are full of announcements on the sale of goods and provision of services only for freely convertible currency.

Here is my second comment. The draft laws specify that the conclusions of sanitary-hygienic services and ecological expert commissions in creating enterprises with foreign investments are implemented only in individual cases. However, it is not stipulated who specifically must make the decision about the need for obtaining these findings. Since such indeterminacy may give rise to numerous abuses and dangerous situations, it should be stated that the indicated conclusions must be binding.

#### Roundtable on Conversion Problems

914A0888A Moscow RABOCHAYA TRIBUNA  
in Russian 26 Jun 91 p 2

[Continuation of article in 7 June issue by Valeriy Badov: "Conversion: RABOCHAYA TRIBUNA Roundtable. 2. Get Out of the 'Defense' Casemates"]

[Text] Oleg Shishkin, USSR minister of general machine building:

I think you are well aware that our ministry works with space rocket technology. In terms of land- and sea-based missiles we lag behind neither the West nor the East. We have retained our strategic parity in space as well. I must state unequivocally that we are not behind. The country's defense capability is provided by ground-based strategic arms. I would like to discuss the problems that have now arisen for us as a result of conversion.

What are these problems? We are singling out the key ones in our collectives.

The first thing is not to allow unemployment at all.

Another crucial problem is not to dissipate the technological level and scientific potential we have achieved.

The third problem pertains to consumer goods, medical equipment, and the agro-industrial complex, catch up with the rest of the world.

This is the range of problems we have set for ourselves. How do we intend to solve them? The first field of activity is space. What is there? You know what poor communications we have in the country. Space communications could change the picture completely. Modern means of navigation for all kinds of rolling stock. Investigation of the earth's natural resources. The creation in space of materials and medicines which cannot be created on earth. We must not use space like a toy, a propaganda stunt.

We must get out of the shell of the defense industry emerge into broad daylight.

I must say that the last two years have opened our eyes to many things. For example, in the agro-industrial complex it is unthinkable to drop below the modern level. It was not without reason that the grain, confectionery, sugar, and soap industry, to which we must deliver equipment, ended up under the wing of the agro-industrial complex. Things have reached a point in the country where there are no skilled designers left, for example, in the confectionery industry. They have been transferred and all the equipment is foreign-made.

**RABOCHAYA TRIBUNA:** Your ministry was instructed to manufacture wheelchairs for individuals and also to create a design bureau for problems of prosthetic devices. The problem of the individual's wheelchairs was scheduled to be solved in 1991. Output was to be increased to 50,000 a year. There are disabled people in the country who have never been out in the street in their lives because they do not have wheelchairs. Have the design bureaus been created and how widely are wheelchairs being produced?

[Shiskin] We delivered 6,000 prosthetic devices free of charge for the Afghan veterans. Last year we made 18,000. The cost of each runs into the thousands of rubles. One asks who can buy them at that price. Who and where? The social security department does not have that kind of money. We are working on the problem but it has not been solved yet. We made contact with the Americans and created a joint enterprise at the Leningrad Bolshevik plant. We are preparing capacities for 50,000 wheelchairs. We will make 20,000 of them next year, but the capacities will be for 50,000 and we will increase them in the future. The Ministry of Automotive Agricultural Machine Building, in turn, will make 50,000 of them. They say that 100,000 will be enough for the country, but nobody knows that for sure.

**RABOCHAYA TRIBUNA:** What development of processes of privatization of property will there be in your branch?

[Shiskin] Today everything has been taken over for privatization. Well, all right, we will divide up what there is when we enter the market. But what is the point? When we enter the market this divided and dispersed property will collapse because it will not be ready for market relations. And all this privatized property will be either unnecessary or bankrupt or sold somewhere at less than its real value.

In this connection the major task today, when approaching the market, is not privatization and not dividing up our national economy, whose level, excuse me, is low enough already. We produce refrigerators, television sets, and a few other things. For our country this is a good level. But as soon as we enter the world market, these television sets will be worth pennies compared to the Japanese ones. And perhaps they will not be bought on the market at all. What is the point of a privatized enterprise if it produces antediluvian refrigerators? People will still avoid it, this property. Therefore, I think the main thing in preparing for the market in the defense sector of the economy should be to solve large problems, beginning with large-scale science. In order to drive a wedge into the world market it is necessary to have well equipped plants and powerful design bureaus. We still have to create them, and then you can privatize them as much as you like. Whether it be private or state or any other kind of property, it should be competitive. Otherwise there is no point in our entering the world market.

**A. Alekseyev, designer:**

Many specialists who are quite skilled, especially young ones, are leaving defense industry enterprises for the cooperatives. They are leaving for joint ventures as well. They are motivated by the idea that they can go for a year or two and earn enough money for a dacha or a car and then return. But we are deprived of these specialists for good because they lose their skills. This is a great danger for defense industry enterprises—losing their specialists. And another critical problem is technical equipment which is removed from operation. The technical equipment is fairly modern and it can be used somewhere in the national economy. A good deal of military equipment, especially radar, will now no longer be used. And this equipment is being pilfered bit by bit. And the country will sustain losses again. These problems must be solved immediately: Which enterprises will salvage the equipment, which of it can be used in the enterprise.

**Yu. Glybin, economist:**

As one of the developers of the program and law on conversion, I would like to discuss the following.

First. The real process of conversion is becoming uncontrollable. Many people think that this is our last trump

card, which must be played in order to help the economy. I must assure you that this is not the case. Why? Those who went furthest into the development of the draft law on conversion, which meets the requirements of such a highly developed economy as that of the United States, were the Americans. But the Weiss draft law on conversion has not been adopted yet.

Studying the text of this draft law and observing the processes taking place in our country in matters of conversion of defense branches, one arrives at the idea that the most terrible thing that threatens us is haste. For example, with these volumes of arms production, and ours are quite comparable with America's, the curtailment of military programs is a painful thing. A very careful analysis shows that a billion in "withdrawn" budget allocations will produce nothing but losses for the national economy.

Why? Look at what makes up the billion's worth of "finished" and sold products. It is approximately two billion rubles' [R] worth of "goods" because the amount is spread out many times prior to completion of the process. Let us say that Boris Mikhaylovich Belousov makes a large missile complex: He makes the missile himself, the launcher is provided by a different department, the control system by another, and so forth. From this two billion worth of "goods" the government will automatically fail to receive about R200 million in profit.

By reducing military allocations by a billion, we discharge from the plants tens of thousands of people to whom wages must be paid during their year and a half of retraining. It is also necessary to add to the economic incentive funds for those personnel who are not to blame for being left without work. Further. It is necessary to write off incomplete production, which must be salvaged after the cancellation of the state order. So it turns out that by cutting our expenditures on the defense industry by a billion rubles, we will create "overhead expenses" that are equal if not greater.

When the plants have to be retooled to produce consumer goods instead of arms, no return can be expected before the third year. Certain rash economists ask: Why not close down the two tank plants altogether? There are 35,000 people working at one and 35,000 at the other. Thus the losses from this act will exceed the budget savings several times over, plus we will have lost a unique production.

Sometimes critics of conversion ask: But why agricultural and light industry and not the production of dry cargo ships and long distance liners? Because there is nobody in the country who can perform this piece of the work: create a complex of modern equipment in the country for the processing branches, light industry, and medicine.

Reducing the series production of the military output also jams things up. When tank production was curtailed

sharply, it immediately ended up with each tank leaving through the gates of the plant costing twice as much.

The question arises: What are we to do with all this written-off property? An enormous program has been developed for salvaging the arms eliminated as a result of the Vienna treaties. Salvaging is a very new and promising thing. The gains from this run into the billions of rubles. Organizational structures have also been developed for the complex of work for salvaging military equipment.

**O. Shishkin:** People frequently speak about the wasteful expenditures on space study. Yet America's NASA, which engages solely in civilian space study, has 24,000 employees, but, I note, it does not have its own plants. Only research centers and institutes. NASA is not autonomously financed, in the way we define it, but receives money from the budget. For this year it received \$14 billion. This is addressed to those critics who advise rashly curtailing our national space programs in order to ease the burden of the budget.

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Materials for the roundtable were prepared for printing by Valeriy Badov.

#### Moscow Institute Offers Management Training

914A0902A Moscow *PRAVDA* in Russian 24 Jun 91  
Second Edition p 1

[Interview with I. Puzin by Ye. Sorokin, under rubric "Pertinent Interview": "Who Will Train the Business Man?"]

[Text] As we move ahead toward the market, a question that becomes increasingly acute is the question of the people who are supposed to form the new economic structures. A year ago *PRAVDA* requested Professor I. Puzin, rector of the Moscow Commercial Institute, to discuss the state of affairs with specialist training in that institute, which is currently a leading "market" institute. At that time the interview evoked a considerable amount of interest among the readers.

A year has gone by. But what has happened since then? That was the question with which *PRAVDA* correspondent Ye. Sorokin began his conversation with I. Puzin.

[I.Puzin] During that period the institute collective has done a lot. First of all, we changed the structure of the schools. We now have four schools. They are currently aimed to a greater degree toward the training of personnel for the market. In particular, we have created the school of commerce, where we train personnel in a speciality of higher education that is new to us—"commercial activity in the commodities and services market," with the conferment of certification as "business man."

The school of administration trains specialists with certification as "manager" in the area of the administration of enterprises engaged in trade, public nutrition, the hotel complex, and tourism.

Next, the school of international economic relations. Its differentiating feature consists in that, whereas previously we trained specialists in the international sphere for the system operating under the administrative-fiat system, currently the specialists will be international business man, international manager, international accountant, banker, etc., with a knowledge of international settlements under market conditions.

And, finally, the school of finance and accounting. Currently the situation is especially acute with regard to the shortage of specialists in the field of finance and banking. For small-business enterprises alone, there is a practically unlimited demand in this area.

There has also been a substantial change in the structure of the departments. Almost all the previous ones have been abolished, and new ones have been created. In particular, the department of political science, department of sociology, and the department of the fundamentals of economic theories. Such departments as "Market Theory and Practice," "Commercial Activity in the Commodities and Services Market," etc., have appeared.

[Ye. Sorokin] Do you recall that we spoke about the fact that the name of your institute also presupposes commercial instruction, that is, payment for that instruction? At that time you were thinking about a figure of 15,000.

[I. Puzin] Actually, paid education currently is, I would say, not the sole kind. A governmental decree that pertains to this has been enacted. As you know, that decree gives the educational institutions the right to determine independently, starting this year, the amount of payment to be made on the basis of an understanding between both parties, that is, the institution of higher learning and the enterprise, since payment for instruction directly by the students themselves or their parents is not authorized by USSR Gosobrazovaniye [State Committee for Public Education], proceeding from the Constitution that is currently in effect. The cost of instruction in our institution of higher learning for an enterprise has been determined as 30,000-40,000 rubles. The matriculating students arriving on the basis of contracts have noncompetitive enrollment. But the examinations remain for everyone, and those who have received unsatisfactory grades are not permitted to take further examinations. Without a doubt, the matriculating students have the opportunity also to enroll without contracts, on general principles, according to the enrollment rules that were approved for this year by USSR Gosobrazovaniye.

[Ye. Sorokin] If you accept such considerable amounts of money for instruction, does that mean that the state will not help you with even a single kopeck?

[I. Puzin] As you know, our institution of higher learning is handled by RSFSR Mintorg [Ministry of Trade]. Also, we had financing, like all the institutions of higher learning in the Gosobrazovaniye system, but starting this year RSFSR Minfin [Ministry of Finance] decided not to allocate funds to Mintorg for recruiting the first class. True, the RSFSR Mintorg leadership, fortunately, was able to find in its internal reserves some of the monetary means, although that is not really a large amount of money, especially under the conditions of high prices. As you know, the costs of instructing a student have increased greatly.

[Ye. Sorokin] What other problems do you have?

[I. Puzin] We have spoken about training students after secondary school. For the most part, these are young men and women 17 or 18 years of age, who have not yet worked anywhere. So you can see that we are taking steps that should yield some substantial results in five years: our graduates should be able, from their very first days on the job, to engage actively in the activities of their enterprises with a consideration of the new economic conditions, rather than having to be retraining "on the job," adjusting themselves to the market. And immediately the question arises: what is to be done with that army of specialists who were trained during the period of "stagnation"?

In order to resolve that question, we created the Commercial Academy for Retraining Upper-Level Personnel. In August we shall announce the first enrollment for persons already having higher education. The period of instruction is from one month to two years, depending on the certification to be conferred. Persons who have completed the full two-year course of instruction and who already have any completed higher education will receive a diploma in the established format, attesting to the second, commercial higher education. Naturally, the retraining of these personnel will not be financed by the state. Therefore, the instruction here will be completely on the basis of contracts.

In order to guarantee the quality of instruction with probationary workers in very large organizations, companies, firms, and banks, including foreign ones, with the application of the most modern methods and technical means of instruction, we are currently registering the Commercial Academy in the form of a closed joint-stock society.

And, finally, what is probably the last point on which I would like to focus the attention of PRAVDA readers. There has arisen a critical need to develop a single commercial-education policy, and to carry out its training-methodology unification with regard to commercial education. For the time being, this unification exists for 12 institutions of higher learning throughout the country, but its list will undoubtedly expand. There is a critical need to create an association for the commercial education in which we are currently engaged. It is planned to attract into that association the country's best

commercial forces and minds. So, as you can see, a definite amount of work has been done. New short-term and long-term plans lie ahead.

### Development of Construction Co-Ops Examined

914A0912A Moscow DELOVOY MIR in Russian  
6 Jun 91 p 2

[Article based upon materials from USSR Goskomstat [State Committee for Statistics]: "Construction Cooperatives: Progress and Problems"]

[Text] In 1991, there were 76,000 construction cooperatives active in construction. Compared to 1988, their number had increased by a factor of more than 40 and earnings from the sale of output (work and services)—by a factor of 80; in 1990, it amounted to 26 billion rubles.

On 1 January 1991, there were 2.6 million individuals, or 21 percent of the overall number engaged in construction, assigned to cooperatives. During 1990, 13 billion rubles of the wage fund, or 26 percent of the overall fund for the branch's workers, were assigned to cooperative societies.

A large number of cooperatives operate in conjunction with organizations of the principal construction ministries, departments (6,402 cooperatives), USSR Minenergo [Ministry of Power and Electrification] (1,835), USSR Minmetallurgiya [Ministry of the Metallurgical Industry] (1,022), USSR MPS [Ministry of Railways] (897) and USSR Minugleprom [Ministry of the Coal Industry] (716).

The principal operational indicators for construction cooperatives during 1990 are characterized by the following data:

	Volume of contractual work completed using own resources		Including at facilities of the state order		Apartment houses placed in operation
	Millions of rubles	In % of volume of republic work on the whole	Millions of rubles	In % of overall work volume	Thousands of square meters of space
Total	14196	13	3569	25	1578
<b>Including:</b>					
RSFSR	10138.5	16	2923.3	29	1381.6
Ukrainian SSR	2015.8	15	171.8	9	95.5
Belorussian SSR	362.3	9	100.1	28	69.5
Uzbek SSR	534.2	12	186.3	35	1.2
Kazakh SSR	183.9	3	10.5	6	10.3
Republic of Georgia	198.0	13	0.6	0.3	-
Azerbaijan Republic	95.5	7	7.4	8	3.6
Lithuanian Republic	88.7	8	30.8	35	-
Moldovan SSR	97.7	10	21.0	21	13.9
Latvian Republic	235.0	25	29.5	13	-
Kyrgyzstan	33.9	4	20.7	61	1.3
Tajik SSR	44.2	5	27.5	62	0.4
Turkmen SSR	81.0	7	29.5	36	-
Estonian Republic	87.7	20	9.9	11	0.2

In 1990, USSR Goskomstat [State Committee for Statistics] conducted an inspection of 73 construction cooperatives consisting of more than 20,000 workers. As revealed by the results of this inspection, in the overall volume of earnings realized by the cooperatives from work and services, the proportion of contractual operations is increasing.

In 1989, it accounted for 86 percent of the overall earnings and in 1990—95 percent. The majority of the cooperatives inspected specialize in the carrying out of general construction work. In addition to construction work, the cooperatives also engage in the production of construction materials and products and they carry out planning-research work.

The proportion of the volume of work carried out in behalf of the population is not very great—it amounts to only one percent of the overall earnings from sales. The amount of this work and services is negligible for the construction cooperatives on the whole: in 1988—seven percent, 1989—four percent and in 1990—three percent. This was conditioned to a large degree by a reduction in the deliveries of construction materials and structures to the retail trade.

Of the overall number of workers, 63 percent are members of a cooperative and 37 percent work on the basis of labor contracts. With regard to strengthening the legal status of cooperatives and improving their logistical base, a trend has been noted towards a reduction in the

number of individuals holding down more than one job among those working in cooperatives. In 1988, 47 percent of those working in construction cooperatives were holding down more than one job, in 1989—27 percent and in 1990 this proportion declined to 22 percent.

For the carrying out of certain types of work by the cooperatives, use is being made on a contractual basis of students, pupils, manual and office workers, engineering and technical workers and also other workers during vacation and holiday periods. In 1990, the payments for work carried out on a contractual basis amounted to more than 440 million rubles, or an average of 5,839 rubles per cooperative.

Recently there has been an increase in the conversion over to cooperatives of highly skilled specialists from state construction organizations. This has come about mainly as a result of shortcomings in the organization of labor, dissatisfaction with wages and poor social conditions. The average wage in construction cooperatives in 1989 was higher by 15 percent than that in state construction organizations and in 1990—higher by 25 percent. Thus the average wage for one worker in cooperatives that were inspected in the RSFSR was 507.5 rubles and in state construction organizations located on the republic's territory—351.7 rubles, Latvia—562.5 rubles (363.6 rubles), Kirghizstan—549.1 rubles (275.1 rubles) and Tajikistan—470.8 rubles (260.1 rubles).

It should be noted that the work of construction cooperatives is still not oriented towards the long range development of their own production base. The proportion of withholdings for the fund for cooperative development is low. In the structure for distributing a cooperative's income, only 10 percent is assigned to the development fund.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Internal Ruble Convertibility in 1992 Viewed

91P50244A Moscow *TRUD* in Russian 27 Jun 91 p 8

[“Mini-Interview” with A. Dumnov, official at the USSR Gosbank currency administration, by B. Zhuravskiy in Moscow: “Ruble on the Currency Market”]

[Text] Recently the USSR Cabinet of Ministers made a decision to introduce internal ruble convertibility at the beginning of 1992 as one of the major anti-crisis measures. We turned to an official at the USSR Gosbank currency administration, A. Dumnov, with a request to comment on how the preparations for this measure are proceeding.

[Dumnov] The concept of convertibility itself presupposes the possibility of freely buying and selling currency at the market rate. Internal convertibility allows for the exchange of rubles for foreign currency at realistic rates

within the country. For example, our enterprises that have foreign currency will not be able to invest abroad. Individuals will be able to purchase only permissible amounts of hard currency for rubles, and only for specific purposes such as for travel abroad.

[Zhuravskiy] Will they be able to open current accounts in the hard currency department of a bank or make purchases in “Berezka”?

[Dumnov] At this stage they won't be able to.

[Zhuravskiy] So what is the purpose of introducing internal ruble convertibility?

[Dumnov] Mainly to stabilize the country's financial system. This is the first step toward full-blooded convertibility of the ruble.

[Zhuravskiy] What will be the government's next step in this direction?

[Dumnov] The next important decision will be the abolition of the hard-currency funds system, from which some enterprises and organizations make withdrawals for their, sometimes questionable, needs.

[Zhuravskiy] With the institution of a convertible ruble the amount of goods and services will increase sharply, but prices will also jump upwards?

[Dumnov] However, the consolation here is that because the majority of ordinary citizens do not have access to deficit goods and services that are available to people who are in one way or another close to the administrative-distribution system, convertibility will be a strike primarily against the latter. But in time, with the curtailing of inflation, prices will start to decrease.

### Regulations on Selling Hard Currency for Foreign Debt

914A0855A Moscow *BIZNESS I BANKI* in Russian, Jan 91 p 2

[Text of regulation signed by the V.A. Pekshev, deputy chairman of the board of the USSR Gosbank, and T.I. Alibegov, deputy chairman of the board of the USSR Bank for Foreign Economic Activity [Vneshekonombank]: “Procedures for Obligatory Sale by Enterprises, Associations, and Organizations of Foreign Currency for Repayment of the USSR Foreign Debt and Formation of the Foreign Currency Funds of the Republics and of Local Soviets of People's Deputies and of the Union-Republic Foreign Currency Fund”]

[Text] In accordance with the 2 November 1990 ukase of the president of the USSR “On special procedures for utilization of foreign currency resources during 1991” and USSR Council of Ministers decree No. 1253 of 8 December 1990 “On formation of foreign currency funds during 1991,” the following procedures are established for obligatory sale by enterprises, associations, and organizations (further termed enterprises) of foreign

currency for repayment of the foreign debt of the USSR and formation of the foreign currency funds of republics and local soviets of peoples deputies and of the Union-Republic Foreign Currency Fund.

**I. Procedures for obligatory sale by enterprises, associations and organizations of foreign currency for repayment of the foreign debt of the USSR.**

1. Enterprises engaged in the export of goods (work, services), irrespective of their form of ownership and departmental and territorial subordination (with the exception of enterprises involving participation of foreign capital), are obligated to sell the USSR Bank for Foreign Economic Activity 40 percent of their foreign currency earnings in return for payment in rubles based on the USSR Gosbank [State Bank] commercial exchange on the date the transaction is conducted.

2. The amount of foreign currency earnings includes all foreign currency receipts transferred to the benefit of the given enterprises, irrespective of the methods by which foreign economic operations are carried out (independently or through intermediaries) and the character of the transactions, including foreign currency receipts from Soviet and foreign juridical and physical persons in payment for goods (work, services) sold within the territory of the USSR.

3. When goods (work, services) are exported directly by enterprises, associations, and organizations, sale of foreign currency to the fund for repayment of the USSR foreign debt shall be carried out from the accounts of these organizations.

4. When goods (work, services) are exported through intermediary foreign economic organizations, the sale of foreign currency to the fund for repayment of the USSR foreign debt shall be carried out from the accounts of these intermediary organizations from the entire amount of earnings received. In connection with this, foreign currency funds received by the suppliers of export production from the intermediary organization are not subject to obligatory sale to the fund for repayment of the USSR foreign debt.

5. When export operations are carried out by Soviet enterprises and organizations through joint enterprises and international commercial organizations, the sale of foreign currency to the fund for repayment of the USSR foreign debt shall take place from the accounts of the Soviet enterprises, associations, and organizations after the foreign currency earnings from the indicated intermediaries have been deposited in them.

6. When goods are exported under conditions that the Soviet side is compensated as well for costs of transportation, insurance, and forwarding, the sale of foreign currency to the fund for repayment of the USSR foreign debt shall be carried out from the entire amount of receipts to the account of the exporter. Subsequent settlements between the exporter and transport, insurance, and forwarding organizations are carried out

taking account of the fact that the obligations of these organizations with regard to the sale of foreign currency to the fund for repayment of the USSR foreign debt have already been met.

**7. Not subject to obligatory sale are:**

- dividends and earnings in foreign currency received from investments of one's own and borrowed funds, including participation in capital, investments in securities (stocks, obligations) and from investment of funds in the form of deposits, contributions, and credits in current or other accounts in banks within the USSR and abroad;
- foreign currency receipts in the form of contributions for charitable purposes;
- investments in charter capital, receipts from Soviet and foreign juridical and physical persons in payment for acquisition of stocks and securities of enterprises, associations, and organizations;
- receipts from the acquisition of foreign currency funds on the domestic foreign currency market;
- foreign currency receipts from the sale of wheat and bean and oil-bearing seed crops to the state under conditions defined by decree No. 620 of the USSR Council of Ministers "On stimulating sales to the state during 1989-1990 of high quality wheat grain and bean and oil-bearing seed crops involving payment in foreign currency made available in connection with a reduction in purchases of grain and food products abroad";

—the part of export earnings subject to transfer to foreign firms for transport, insurance, and shipment of Soviet export freight abroad;

—amounts of remuneration within the framework of a commission agreement or within the framework of a delivery agreement for services extended to Soviet juridical persons by enterprises performing intermediary operations.

8. Enterprises, associations, organizations, and banks shall transfer funds for the formation of USSR foreign debt repayment fund into special balance account No. 74150001 at the USSR Bank for Foreign Economic Activity.

9. Banking institutions within the territory of the USSR, including branches of foreign banks and international and joint banks that have received licenses from the USSR Gosbank and the central banks of the republics to conduct foreign currency operations (authorized banks), are obligated to accomplish the purchase of 40 percent of foreign currency funds received to the favor of their clients and to transfer these funds to USSR Bank for Foreign Economic Activity's account for repayment of the USSR foreign debt.

10. These deductions are made by the bank at the same time that funds are posted to the foreign exchange

accounts of their clients without preliminary clarification of the nature of the receipts; excessive funds deducted shall be restored or documents verifying that these receipts may be exempted from obligatory sale shall be submitted subsequently.

11. In the case that settlements are accomplished in foreign currency between clients of one of the authorized banks, the indicated bank shall carry out transfers of foreign currency funds to the USSR Bank for Foreign Economic Activity in accordance with the present procedures.

12. For purposes of interbank settlements in connection with obligatory sale of part of foreign currency earnings to the fund for repayment of the USSR foreign debt, the authorized banks shall open correspondent accounts within the USSR Bank for Foreign Economic Activity. Procedures for carrying out these settlements shall be defined by the respective correspondent agreements.

13. The ruble equivalent of foreign currency transferred to the fund for repayment of the foreign indebtedness of the USSR shall be credited by the authorized banks to the settlement accounts of their clients, while simultaneously debiting the indicated funds to the USSR Bank for Foreign Economic Activity.

14. Commissions and expenses connected with carrying out the above-mentioned settlements are not reimbursed.

## **II. Procedures for obligatory sale by enterprises of foreign currency for the formation of the Union-Republic Foreign Currency Fund and the foreign currency funds of the union republics and of local soviets of peoples deputies**

1. Sale of foreign currency earnings to the Union-Republic Foreign Currency Fund and the foreign currency funds of the union republics and local soviets of peoples deputies shall be carried out by enterprises on an obligatory basis, irrespective of their form of ownership or departmental and territorial subordination, following sale of 40 percent of their foreign currency receipts to the fund for repayment of the USSR foreign debt and deductions of funds to their own foreign currency funds in accordance with norms established by USSR Council of Ministers decree No. 1253 of 8 December 1990 "On formation of foreign currency funds in 1991."

2. Provisions concerning the sale of foreign currency funds for the formation of the Union-Republic Foreign Currency Fund and the foreign currency funds of republics and local soviets of peoples deputies apply to all foreign currency receipts, irrespective of the method of carrying out operations (independently or through intermediaries) and the character of the transaction, including sale of goods and services within the country with payment in foreign currency, with the exception of foreign currency receipts indicated in section I, paragraph 7.

3. Deductions to the Union-Republic Foreign Currency Fund, the foreign currency funds of the republics, and to local soviets of peoples deputies (centralized funds) are made by the enterprises receiving foreign currency earnings, and when enterprises conduct operations through intermediary foreign economic organizations—by these organizations.

4. Within five days after the receipt of notification from authorized banks about the deposit of funds into foreign currency accounts, clients shall provide instructions to the authorized banks to transfer foreign currency funds that have been received to the foreign currency funds of enterprises and corresponding centralized funds.

5. Based on receipt of these instructions, authorized banks shall debit the foreign currency accounts of the clients by the amount to be transferred to the centralized funds in accordance with norms established by USSR Council of Ministers decree No. 1253 of 8 December 1990 "On formation of foreign currency funds in 1991," while simultaneously transferring to the clearing accounts of the clients an amount in rubles equivalent to the foreign currency transferred to the cited funds, based on the USSR Gosbank commercial rate of exchange on the day the transaction is completed.

6. Funds subject to transfer to the Union-Republic Foreign Currency Fund are transferred by authorized banks to special balance foreign currency account No. 7414 at the USSR Bank for Foreign Economic Activity, which is designated to receive the funds of the cited fund.

7. The ruble equivalents of foreign currency transferred to the USSR Bank for Foreign Economic Activity for formation of the Union-Republic Foreign Currency Fund are deposited by authorized banks into the clearing accounts of clients, while simultaneously debiting the cited funds to the USSR Bank for Foreign Economic Activity.

8. Within five days from the date of receipt of a client's instructions, funds subject to transfer to the foreign currency funds of the republics and of local soviets of peoples deputies shall be transferred by authorized banks to the USSR Bank for Foreign Economic Activity or to corresponding banking institutions that have been authorized by republic and local organs of authority to account for and administer the corresponding foreign currency funds.

9. The ruble equivalent of the cited funds shall be transferred by the authorized banks to the clearing accounts of the clients, while simultaneously debiting the banks that are assigned to administer the foreign currency accounts of republics and the local organs.

10. Authorized banks shall submit to the USSR Gosbank and the USSR Bank for Foreign Economic Activity, no later than the twenty-fifth day of the month following that for which accounting is being made, data about the total amount of foreign currency receipts (following the

form established by the USSR Gosbank), including the amounts of transfers to funds for repayment of the USSR foreign debt, the Union-Republic Fund, and the foreign currency funds of republics and local organs of authority.

11. Authorized banks bear responsibility for timely and complete transfer of funds to the cited funds, and shall also monitor their clients' execution of deductions.

12. The USSR Gosbank and the central banks of the republics may carry out selective checks of the correctness and timeliness of execution by commercial banks of deductions to the fund for repayment of the USSR foreign debt and the Union-Republic Fund.

13. In case of discovery of violations, including concealment of foreign currency funds from deduction or their incomplete transfer to the USSR Bank for Foreign Economic Activity, the USSR Gosbank and the central banks of the republics may apply the following sanctions:

—suspend or withdraw the license of a commercial bank to conduct foreign currency operations;

—impose a monetary fine in foreign currency in the amount necessary to repay the sum of indebtedness of the commercial bank with regard to transfers of foreign currency funds to the corresponding funds and supplementary income received by the bank as a result of failure to transfer the cited deductions to the USSR Bank for Foreign Economic Activity, and, in case of a lack of necessary foreign currency funds—of the equivalent in rubles at the foreign currency market rate of exchange.

14. Enterprises, associations, and organizations bear responsibility for full and timely transfers to the funds for repayment of the USSR foreign debt, to the Union-Republic Fund, and to the foreign currency funds of republics and local organs of authority.

In case of violation by them of the provisions of the 2 November 1990 ukase of the USSR president "On special procedures for utilization of foreign currency resources in 1991," in particular by means of concealing foreign currency receipts in accounts abroad or in accounts of joint enterprises, and also opening accounts in foreign banks without special permission of authorized organs, the USSR Gosbank, central banks of the republics, and authorized banks may apply the following sanctions, including to joint enterprises that facilitate concealment of the foreign currency earnings of Soviet organizations:

—petition appropriate all-union and republic organs to deprive the enterprises of licenses and permissions for the conduct of foreign economic operations;

—impose monetary fines in foreign currency in an amount necessary to repay amounts of indebtedness relating to transfers to the corresponding funds and, in the absence of foreign currency funds, of an equivalent of the indebtedness in rubles at the exchange rate of the foreign currency market, with payment of interest

for delay of the transfer based on the scale of interest rates for overdrafts of the accounts of the clients in foreign currency or in rubles.

15. In case of actions by local organs of authority that hinder transfer to the cited banks of funds to the fund for repaying the foreign currency debt of the USSR and the Union-Republic Fund, the USSR Gosbank and the USSR Bank for Foreign Economic Activity, in order to ensure fulfillment of the USSR presidential ukase "On special procedures for utilization of foreign currency resources in 1991," may when necessary petition the USSR presidium:

—concerning the possibility of suspending centralized deliveries to the corresponding regions of export goods and goods easily sold in the foreign market, having in view the subsequent sale abroad of the commodity resources that are thus made available and allocation of the foreign currency earnings that are thereby received toward repayment of indebtedness with regard to deductions to the USSR foreign debt fund and the Union-Republic Fund;

—about reducing state purchase of commodities imported with the aim of satisfying the needs of the corresponding regions, having in view the allocation of the foreign currency funds thereby made available to repayment of indebtedness connected with transfers to the fund for repayment of the USSR foreign debt and the Union-Republic Fund.

#### Gosbank Official on New Bank System Structure, Function

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[Interview with Arnold Vasilyevich Voylukov, first deputy chairman of the USSR Gosbank, by L.A. Berkovich, EKO correspondent: "A Two-Tier Banking System: A View From the Top Floor"]

#### [Text]

[Berkovich] *The recently approved bank laws have led us close to a two-tier banking system that is generally accepted in civilized countries. Could you, Arnold Vasilyevich, characterize its role and functions?*

[Voylukov] I shall cite the words of B. Rogers, an American publicist, spoken back in the 1920s: "Since the world was created there have been three great inventions: fire, the wheel, and a centralized banking system." This is no exaggeration. The role of a two-tier banking system with its brain, the Central Bank, connected with thousands of threads to nerve centers, the commercial banks, is analogous to a person's central nervous system. A distinguishing feature of the present market economy is that self-regulating mechanisms are not automatic, but assume that special efforts will be made for supporting

the stability of currency circulation and prices. A two-tier banking system does indeed serve to meet this goal. It establishes the basis for self-regulation of market mechanisms and supports the purchasing capability of a monetary unit by regulating the money supply that is in circulation. Economic growth is nearly always accompanied by price increases and a partial loss in currency value. A strict credit and monetary policy inhibits price increases as well as economic growth, which in turn increases unemployment. In order to prevent or soften cyclical downturns, banking policy should have enough flexibility to effect a balance between inflation and unemployment, and between economic growth and a state budget deficit. It is important that these processes not get out from under the control of the Central Bank.

[Berkovich] *In countries with developed market economies, the banking business is the most regulated sphere of economic relations. Why is this so?*

[Voylukov] The banking business is, by its very nature, an area of heightened risk, not only for the banks themselves, especially commercial banks, but also for depositors. This is why in all countries oversight and state regulation is stronger than in other areas of private enterprise. In the United States, for example, there are seven control committees. The Federal Reserve System [FRS] fulfills the role of a Central Bank in the United States. It unites 12 Federal Reserve Banks and 25 of their affiliates. The FRS acts in cooperation with other control agencies on many issues relevant to the regulation of credit policy. The activities of credit and finance institutions are regulated by federal and local laws.

As long as money was tied to gold, the money supply in circulation was more or less automatically regulated. With economies growing more complex, the monetary system based on the gold standard turned out to be too rigid and suffered a crash during the world economic crisis of 1929-1933. When paper currency cannot be exchanged for gold, the central banking system becomes stronger, and there is a need for a clearly thought-out system for regulating money and credit circulation.

[Berkovich] *The new banking legislation of the USSR aims precisely to create such a system. To what extent does this legislation conform to similar laws in Russia and the other republics?*

[Voylukov] Conceptually there is no divergence between the laws of the USSR and the RSFSR regarding banking activities. To a great extent they are based on the ideology of the US Federal Reserve System. The first version of the Union law was substantively recast in the course of reaching an agreement with the government of Russia. As a result, the banking legislation of the Union and Russia are identical. Many formulations, texts of articles, and listings of economic norms are the same, and with their help the Gosbank and central republic banks can regulate the activities of commercial banks. The Russian law, however, does not provide for a head

Central Bank, which in effect would have meant the liquidation of the USSR Gosbank [State Bank].

The Union law was based on the premise that all republic central banks will establish a single banking network, at the head of which stands the Central Council of the USSR Gosbank, the highest directing agency of all central banks, including the Gosbank. This council fully controls and regulates the activities of the USSR Gosbank: It approves its charter and estimate of expenditures, and appoints members of the board of directors, except for the chairman and his first deputy. That is the prerogative of the USSR Supreme Soviet.

The Central Council establishes credit and monetary policy, in agreement with all the republics, and sets economic norms and unified rules for currency operations. That this will be done has already been assured by the very procedure for organizing it: Of the 12 members of the council, only the chairman and his first deputy are representatives of the center; the other 10 members are appointed by the President of the USSR (upon recommendation of the Council of the Federation) from among the chairmen of republic central banks or their designated representatives.

Within the Central Council is a special consultative group, a Council for Monetary and Credit Policy, members of which will include the chairmen of republic central banks. These banks have the responsibility for the stability and effectiveness of the banking system in the respective republics. Their role in the new banking system will grow significantly in comparison to what it was when they were branches of the Gosbank. They will now fulfill qualitatively new functions: Creation of a bank infrastructure in each republic and supervision over the activities of republic commercial banks, to which the basic types of banking operations will be transferred.

[Berkovich] *Why preserve the USSR Gosbank if some of its functions are being given to the Central Council and others to the republic banks? If we have taken the US Federal Reserve System as a model, then why is a head bank needed?*

[Voylukov] Detailed familiarity with the US central bank system shows that the equality of member reserve banks is only a legal one. In actuality, the New York bank, through which 90 percent of all payment operations are conducted, plays the leading operational role. This high degree of centralization serves as a powerful accelerator for these operations.

Ideally, we also need this kind of system where a monetary deposit in, say, Vladivostok, will already—today—be the source of credit in Brest. To preserve the Gosbank in its new role as the head reserve bank is also wise in order to prevent some sort of new organizations from filling the vacuum. In general, I see the new bank system looking like a hydra, having one body and twelve heads, each of which can think for itself, but they all have to move in the same direction. And this is why we need

the Gosbank as a Central Reserve Bank at the Union level. With the approval of new banking legislation, our chances of passing a more stringent anti-inflation policy will increase significantly.

[Berkovich] *The center has been accused recently of bringing the financial system to complete ruin, but meanwhile the USSR Gosbank is continuing to issue and circulate currency that is not backed by anything. To what extent are these accusations justified and what is being done to stabilize the circulation of currency?*

[Voylukov] I already answered this question in the press (IZVESTIYA, November 5, 1990), so I shall restrict myself to the principal points. The problem of issuing money is often represented as being purely technical, whereby it is proposed that the printing presses be stopped and surplus money withdrawn from circulation. Whoever believes this, does not understand the contemporary nature of money and exaggerates the importance of cash, which constitutes only one-tenth of the total money in circulation. This is the visible part of the iceberg, and all the rest is noncash turnover! Both, by their nature, comprise credit money because today not a single exchange action can occur without a credit relationship. This is why qualitative displacements are needed, first and foremost in the credit sphere, in order to stabilize money turnover.

Up until now the credit policy was subjected to the heavy weight of state expenditures. Huge credits were directed to machine-building at the beginning of perestroika, but most of them did not yield a return. Material resources, however, were used and wages added up. And here you have an example of transforming noncash and free credits into cash that is not backed by merchandise. This year is the deadline for paying off credits taken by the state "under acceleration" in 1985. There is, however, no hope that they will be paid, as was the case with the 70-billion ruble agricultural debt that was written off in 1990.

[Berkovich] *In recent years, were there not apparently additional factors that also acted to sharply increase the "inflationary potential of the economy"?*

[Voylukov] There are several such factors. First of all, there is the incompleteness of economic reforms, which has led to weird dislocations. In tearing down old structures, we are always late in creating new ones. As a result, we have no plan and no market. In broadening the economic independence of enterprises, we did not take timely measures to create a credit and financial market, intermediary organizations, or commodity and stock exchanges.

Of course, to create a market in a country such as ours, with its anti-market psychology, super-monopoly production, and an impossible price structure, will be a complex and tortuous process. This is why it is so important to have an incremental process and agreement on reforms carried out from the top. The trouble with

these reforms is not only their lateness, but their disjointedness in fundamental questions. Thus, the wage reform begun in 1986-1987 was not complemented by price and tax reforms. We clearly overinsured ourselves in reforming retail prices at a time when raising their general level, accompanied by a certain liberalism and a change in the price structure, could have gone through almost painlessly. As a result, we ended up with a huge discrepancy between prices and income, thus intensifying inflation.

Another consequence of the one-sided expansion of economic independence was the nearly complete eradication of boundaries between noncash and cash currency. Enterprises used their independence primarily for increasing wages and funds for economic stimulus, which they pump over into cash-on-hand in different ways. Not having received real, legislated owners' rights, state enterprises—without preliminary permission—are making breakthroughs into market relationships, detaching individual shops and making them into cooperatives and small enterprises. At the same time, the activities of a majority of these cooperatives are not tied to satisfying the needs of the population, 87 percent of whose income does not have any relation to the earnings of these cooperatives.

Simultaneously, the share held by wages in the cooperatives' sector is twice as high as in the state sector. Members of cooperatives turn in 10 percent of their earnings to the bank in a noncash form, but receive their wages in cash. An analogous situation prevails in kolkhozes, which receive 10 times more cash from banks than they turn in. In general, the issuance of currency is derived from many factors and its role in unleashing inflation has been greatly exaggerated.

[Berkovich] *Nevertheless, there is a growing public alarm regarding the steady acceleration in issuing currency. What was the reason for this issuance in 1990?*

[Voylukov] The limit established for issuing currency last year in the sum of ten billion rubles was already reached by July. After that, the USSR Supreme Soviet and the government approved additional measures (on raising pensions and wages, as well as wholesale prices while maintaining the same retail prices) which in the second half of the year alone provided a nine-billion ruble increase in currency issuance. By the end of the year currency issue had reached 25 billion rubles. The main reason for this was the incompatibility of the decisions on increasing expenditures with revenue increases. The flow of currency resources accelerated in November-December after Finance Minister V.S. Pavlov proposed a 50-percent freeze in funds for economic stimulus. Enterprises and organizations began paying out the 13th monthly wages on schedule, before yearly totals were compiled, trying in every way possible to turn their paper funds into cash. As a result, the rate of growth of money income doubled at year's end.

[Berkovich] Does this mean that currency circulation will not be under Gosbank control for long or that it already is not under its control?

[Voylukov] For the time being we control the processes in the credit and currency field. The increase in money issuance in 1990 was compensated for by a curtailment of credits, so that the total currency circulation was held to specific limits. In actuality, we took the first steps toward a two-tier banking system. Since August 1, 1990 the norm for mandatory reserves was increased from 5 percent to 10 percent (this percentage was set in relation to resources that banks were able to attract and which they were obligated to deposit at no interest in the Central Bank). In November measures were taken, one the one hand, to attract additional resources into the banking system, and on the other hand, to limit economic credit. For the first time, deposits made by enterprises began accumulating interest, stimulating a transfer of their excess money resources to deposits in specialized or commercial banks. Credit became more expensive for both parties, the borrower and the lender.

[Berkovich] Is it possible to quantify the effect of these measures?

[Voylukov] Due to the new deposit policy, some 20 billion additional rubles in credit resources were attracted to banks. But the increase in reserve requirements did not produce the expected results, partly because of the "war of the banks," when the Russian Central Bank temporarily halted the implementation of the relevant decree.

We are not, however, exaggerating the significance of this situation. Methods for economic regulation manifest themselves only in a full-fledged market. During the transition period we cannot avoid a combination of new economic and old administrative methods. When it became clear that economic measures alone could not hold the issuing of credit to the limits necessary, we fell back to a tried and true method—a direct limitation on credit. In December 1990 the Gosbank obligated all banks, including commercial, to decrease their credit resources by five percent by January 1, 1991.

An increase in reserve requirements and interest for credit, as well as a direct limitation on credit, resulted in a decrease of 40 billion rubles in credit issuance. Counting the effects of the deposit policy, the overall savings in credit resources comprised some 60 billion rubles. These resources were used for "plugging up the holes" in the Union budget. But this part of the budget deficit was in effect bought up by the Gosbank, which clearly is more preferable than a direct issuance of money.

For the last five years we annually decreased credit deposits into the national economy, but these amounts were poured into credit holes in the budget. Deficit budget financing tested the limits of Gosbank efforts to decrease the huge amount of resources for payments.

[Berkovich] Has the situation improved with the two-tier banking system?

[Voylukov] Taking the USSR Gosbank and the republic central banks out of their subordination to the government signifies a real separation between the circulation of state resources and the credit resources of the national economy. Now we can conduct a more stringent and independent credit and money policy. Simultaneously, full service to clients has been transferred to the commercial banks, which independently develop their own resources, attracting savings for enterprises and for the public.

They can no longer ignore their clients' financial conditions or the probability of being paid back on time for credit given to them. We can already expect that in the near future credit given to enterprises will depend on their above-norm accumulation of goods valued at 220-230 billion rubles (an aggregate volume of goods and material supplies is valued at 500 billion rubles). With credit becoming more expensive, enterprises will be forced to be more active in accumulating these supplies, while commercial banks will be forced to utilize their own resources more efficiently.

[Berkovich] What will happen to unprofitable and nonviable enterprises? In our skewed economy, after all, profit is not by any means always a synonym for high efficiency.

[Voylukov] This is exactly why during the transition period it would be logical to preserve the Promstroybank [Industrial Construction Bank] as a credit organization which penetrates the entire economy and which could specialize in giving credit to large special purpose programs (loans for conversion, privatization, and structural restructuring of the economy). Only a large bank has the capability to grant long-term credit on preferential terms. The Promstroybank has concentrated 20 percent of all-Union credit resources and, from among the other specialized banks, has the highest index for self-financing. It can cover 90 percent of its loans through its own resources (Zhilsots Bank [Bank for Housing and Municipal Services and Social Development]—50 percent, and the Agroprom Bank [Agroindustrial Bank]—25-30 percent).

[Berkovich] You agree with the viewpoint that transforming the Promstroy Bank should not result in having its resources scattered in all directions. Will the preservation of this giant not threaten developing competition?

[Voylukov] It is more likely that the bank will be stifled by its competitors. In giving preferential or interest-free credit, the Promstroy Bank would be in a worse position than commercial banks which inflate their interest rates.

[Berkovich] The Russian government, as you know, suspended USSR Gosbank's instructions limiting interest rates charged by commercial banks. What was the purpose of this limitation?

[Voylukov] Commercial banks, taking advantage of a great many requests for credit resources and the lack of competition, began raising their interest rates excessively. Purchasing credits from the Gosbank at a four percent annual interest (until November 1990), they sold them to enterprises at 14-16 percent and higher. At the same time, in civilized countries, this difference between the official rate and commercial bank rates, the so-called margin, is one-two percent. Our commercial banks, however, have thus far been engaging in pure usury, which is completely natural in an undeveloped credit and finance market. Excessive interest rates for loans is not only a source of speculative enrichment, but also gives a push to price increases. Limiting interest rates, thus, has two goals: Not to allow additional price increases and to teach commercial banks to work within the framework of a "civilized" margin. We intend to pursue a strict line with regard to violators of USSR Gosbank's instructions, right up to taking away licenses.

[Berkovich] *I hope that a strict credit and money policy will be implemented through economic and not administrative methods. Is the USSR Gosbank ready to shift from a cash and credit planning system to economic macro-regulation of money turnover?*

[Voylukov] Preparation for this has been going on for a long time in Gosbank directorates. In developing credit and cash plans, we are tracking the basic components of overall money turnover. From the cash plan we are extracting information about the quantity of cash resources (held by the public and by enterprises). The credit plan gives us information about the quantity of payment resources. Overall, we have enough information to regulate the total money turnover, but we still have to work out this information in detail.

In order to regulate this turnover the structure of the financial balance is being changed and additional indices are being added. Every five days we receive information on hundreds of indices. Every month we analyze a thousand indices that embrace the movement of the entire amount of money. Each month we make precise adjustments on annual prognoses of basic indices, and every five days for the more liquid part. If the growth of the total money supply exceeds the limits, we search paragraph by paragraph where and what we can cut. In the worst case we will use Article 17 of the law on Central Banks, including a ban on the granting of new credit.

[Berkovich] *As long as there is no full-fledged credit market, commercial banks will react weakly to economic preventive measures (changes in the official interest rate, the mandatory reserve norm). For this reason, the money amount has to be limited not as a forestalling procedure, but as a measure of the danger that is constantly growing. Would it be worthwhile to transfer a part of the responsibility for stabilizing the credit and money area to central banks of the republics? What is outlined in this plan?*

[Voylukov] First, in conjunction with the new banking legislation, the republic central banks will implement the

money issue jointly with the Gosbank. Thus far it has not been decided if we should impose an absolute figure for the republics' issuance of money or a percentage based on the previous year. The republics, in turn, will themselves determine money issuance by oblasts and regions. A unified issuance policy requires strict agreement between the republics and the center. The directors of republic banks will present their proposals and the Central Council will approve them.

Second, a step-by-step separation of the credit resources of the Sberbank [Savings Bank] is taking place. These resources comprise 40 percent of the country's credit resources. As of December 1, 1990, residual deposits in the Sberbank totaled 365 billion rubles, of which 8 billion were used by the bank for long-term loans to the public. Gosbank purchased the rest of the credit and resold it to other banks. Those banks invested the credit in the economy. Thus, all the resources of the Sberbank were actually spoken for. The USSR Gosbank may transfer these resources to the republics only with their share of the state debt, which in 1990 reached 504 billion rubles. This debt is 80-percent covered by credits of the banking system, of which the population's share of the resources is significant.

Acquiring their share of the state debt together with Sberbank's resources, the republics are actually not getting anything but a headache. But we have to do this, so that they will become more interested and more responsible, and to give them room to maneuver. Dividing Sberbank's resources and the state debt requires time and a gigantic amount of work. This is why, beginning in 1991, there is a provision for transferring to the republics only increases in people's deposits in the Sberbank institutions located within their borders.

[Berkovich] *The Sberbank remains, in essence, a specialized bank serving the public. Is this logical?*

[Voylukov] In all countries, commercial banks specialize in different groups of clients (large, small) and in different kinds of operations. Motivating the public to save is always done by specialized financial institutions that have a limited sphere of commercial operations. Their main function is to provide long-term loans for housing construction and real estate. The credit activities of these institutions are limited by the state's guarantee of the safety of small deposits.

Our commercial banks obtained the right to attract public deposits within the limits of their statutory capital. They, however, are not guaranteed by the Gosbank. For the safety of public deposits, commercial banks are required to establish insurance funds, which are supervised by the republic central banks. This measures will ensure the public's trust of the banking system.

Thus far, depositors trust us: The flow of deposits in 1990 into the Savings Bank, as a rule, exceeded the quarterly estimates of the Gosbank. The only exceptions were two summer months: After the government's May report there was an active ebb in deposits, amounting to

a few billion rubles. By August the situation had stabilized, and in November it improved noticeably. Following the interest increase for public deposits, the flow of deposits in November was 3.2 billion rubles, or, 112.9 percent of the same period in 1989. The pattern of deposits also improved noticeably: The relative portion of term deposits increased, especially with terms of over five years. For eleven months of 1990, 25.7 billion rubles of public resources were drawn to savings, somewhat less than the equivalent index for 1989, but this was foreseen by the Gosbank.

[Berkovich] *But the growth of deposits in the Sberbank also testifies to a growing unsatisfied demand. Inasmuch as there is less and less hope for its fulfillment, many economists tend to think that monetary reform is necessary. How do you feel about this?*

[Voylukov] I am not a proponent of resolving complex problems by strong-armed, one-shot methods. The idea of stabilizing money turnover by withdrawing excess money is based on an exaggerated concept about surplus money supply and its role in unleashing inflation. In actuality, there are more fundamental reasons for inflation in our economy. In theory, we have no hyperinflation: When an increase in money greatly exceeds the needs of commodity turnover, the rate of this turnover increases, but in our economy it has been decreasing steadily in recent years.

[Berkovich] *How do you assess surplus money in circulation and the unsatisfied demand by the public?*

[Voylukov] For all practical purposes these concepts coincide: Surplus money is that money with which one is ready to make purchases, but cannot obtain satisfaction. According to the Gosbank assessment, unsatisfied demand on the part of the public totals 110-120 billion rubles (which is considerably less than assessments found in the press—160-200 billion and more). Of this amount, around 50 billion rubles are held in cash by the public, while 65-70 billion are deposited in ordinary accounts in the Sberbank and could be withdrawn at any moment. These deposits constitute the most liquid part of savings. In addition, about 20 percent of all deposits are not motivated by any clearly expressed reason. These 70-80 billion rubles are “half-ready” for purchases. The liquidity of organized savings is still lower than the liquidity of money held by the public. This is why this “hot money”, which could splash out into the market at any time, does not exceed the turnover cash held by the public—50 billion rubles. Money ready and half-ready for purchases may fall into the market simultaneously only under extreme circumstances. In order for this not to happen, the public has to have faith in the authorities. And this faith depends a great deal on thorough and well-thought-out decisions by the authorities.

[Berkovich] *What is the pattern of public savings? Is it true that 80 percent of all savings belong to eight percent of the population?*

[Voylukov] This is an example of incompetence in using statistical data. To a certain extent this is tied to the fact that bank statistics were made confidential in 1936. Actually, about 10 percent of all savings kept in the Sberbank are for accounts of up to 1,000 rubles, another 10 percent is in accounts of over 10,000, and the overwhelming majority is in accounts of 1,000 to 10,000 rubles. In other words, 90 percent of personal savings and 98.8 percent of all accounts are for savings up to 10,000 rubles. With the present cost of living, inflation, and savings periods, deposits of up to 10,000 rubles are close to the minimum necessary.

Our poverty is also shown by the scarcity of necessities and the need to save money even for acquiring clothing. On the average this takes two-three years. About one-quarter of unsatisfied demand (28-30 billion rubles) is earmarked for buying the most ordinary items. To acquire one-third of necessary consumer goods takes 5-10 years, and another third would require over ten years of savings. The absolute majority of people save a part of their current income, so that they can acquire a garage, a country lot, or a cooperative apartment. This means that “surplus money” in practice is not really so surplus: At a minimum, half this money has a strictly special purpose and the savings have the characteristic of forced savings. This applies to an even greater extent to people’s motivated savings: About one-third of the savings is earmarked for acquiring expensive, long-term-use merchandise (automobile, video equipment, and so on). Two other groups of savings are not very liquid: 35-40 percent are earmarked to help children and 20-25 percent—for maintaining the accustomed standard of living upon being pensioned.

[Berkovich] *Both the pattern and motivation for savings are far from investment goals. How would you evaluate the possible extent of privatization at the expense of the people’s money?*

[Voylukov] The USSR Gosbank is probably giving the most pessimistic assessment: 20-40 billion rubles (it is probably closer to 20). In the government’s May report a figure of 140 billion rubles was mentioned. In the “500-Day” program, they were prepared to receive 100-200 billion rubles from privatization just in the first three months. Later, the government also named a 41-billion ruble figure. This shows once again that in stabilizing money turnover, quick-acting methods cannot be relied upon.

[Berkovich] *Can privatization be activated with the aid of credit?*

[Voylukov] Without a doubt, it can. I think that the public is ready to purchase housing more than anything else. In this case, one may count on a quick effect of “tying up” money. In 1989 we gave out 900 million rubles and in 1990, more than 3 billion rubles in credits for housing construction and acquisition of garden plots. We are prepared to give out even more, because this type of credit does not increase cash in hand, but decreases it.

One ruble of credit for individual construction "pulls" along another ruble from current expenditures. This kind of credit issuance is a blessing in contrast to credits for state construction, which often meant "burying the money in the ground."

It is better not to give away basic production funds either, but sell them for credit, keeping property as security. The paying off of the credit is then guaranteed by the property acquired in exchange for bank credit. There is always a "small sword hanging" over your head all the time, motivating you to effectively use the property you acquired. The Union Law on Banks and Banking Activities provides for giving secured credit, but the credit is not reinforced by the Law on Security Rights. A draft of this type of law has been prepared jointly by the USSR Gosbank and the Ministry of Justice.

[Berkovich] *Does this mean that stabilization and the financial healing of the economy do not signify a general squeeze on credit, as was provided for in all the well-known programs for transitioning to a market economy?*

[Voylukov] That is absolutely correct. Issuance, especially of credit, is far from always being bad. If merchandise turnover grows rapidly and the market structure expands, then a need may arise for liberalizing credit and an additional issuance. The strategic line of banking policy is not contraction, but expansion of credit resources within controlled limits. In the near future there will have to be a balance between two priorities: Stabilization of the money-credit system and stimulation of production. The amount of credit will have to be cut simultaneously with making deposits for future trends that promise high yields. These trends are conversion, new forms of entrepreneurship, and farming.

A two-tier banking system will have a tangible effect only if it is accompanied by the creation of a market infrastructure. It is necessary to synchronize stabilization, getting rid of large state-owned property, privatization, and the establishment of a network of merchandise producers in each branch. By doing this a market will begin to form gradually. Incrementally freeing prices and drawing closer to the worldwide structure will teach both the producer and consumer to work in the environment of the market economy. The strictness of a credit policy will force merchandise and material supplies to be sold out, and uncompleted construction to be curtailed. All this will allow money turnover to be stabilized gradually without having to resort to extreme measures.

[Berkovich] *The public has a right to know where and how its money is spent. The dynamics and the structure of money turnover, as well as the sources of and trends in credit, are still a secret under seven seals. When, finally, will they be made public?*

[Voylukov] We intend to publish a consolidated financial balance of the Gosbank in the near future. This will be the most comprehensive official document about the

country's financial situation. EKO will be among the first to receive this information with corresponding commentaries.

[Berkovich] *Thank you very much. Our journal is ready to give its pages to practicing financiers and to regularly inform our readers on the status of the credit and finance field, and on the circulation of money.*

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## INDUSTRIAL DEVELOPMENT, PERFORMANCE

**Civilian Programs for Defense Industries Detailed**  
914A0816A Moscow PLANOVYE KHOZYAYSTVO  
No 4, Apr 91 pp 76-81

[Article by V. Kotov, deputy department head, USSR Gosplan: "The State Program for Conversion of the Defense Industry"]

[Text] The state program for the conversion of the defense industry and the development of non-military production until 1995, which arises from social pressures that place a priority upon economic progress together with a reduction of military outlays, has been approved by the Government of the USSR.

This multifaceted plan was in the process of preparation for about two years. A significant share of the work in forming the conversion program was carried out by USSR Gosplan [State Planning Committee]. Directly participating in this effort were the State Commission on Military and Industrial Matters of the USSR Council of Ministers; the USSR Ministry of Defense; specialists from ministries for sectors of the defense industry; a number of ministries for civilian branches of industry; and other central ministries and departments, enterprises, and organizations of the defense complex, as well as representatives of republic and regional administrative bodies. The difficulty of this undertaking lay in the complexity and unprecedented nature of the conversion problem as well as a lack of adequate experience in coming to terms with it either in this country or abroad. To draw up the program in draft form, USSR Gosplan specialists compiled methodological recommendations and established a system of procedures for processing proposals and drawing up planning documents.

The need was recognized to bring about the conversion without substantially altering the industrial potential of the defense enterprises or increasing the output of vitally important civilian products and consumer goods by making maximum use of resources and manpower as they become free of engaging in the production of weapons and military equipment.

In this connection an analysis was made of each enterprise undergoing conversion to determine the potential

for civilian output at industrial plants as they became available. Through this process a determination was made of plants fully in use for the production of civilian products without any substantial modernization, plants in need of renovation for this purpose, and plants that should be either written off or else undergo conversion.

While in the process of working out the conversion program, a study was made of matters related to the release of a number of enterprises in civilian sectors of industry from the production of military equipment as branches of the defense industry as well as to long-term international cooperation in exchanging military weapons and technology.

In preparing for the conversion program it was considered necessary to keep the production process going without any letup. That is, as the output of military weapons and equipment was being reduced, there should be a continuous build-up in the output of high-quality civilian products and consumer goods. In this connection, together with the resolution of technical production problems, the need was recognized of anticipating measures to resolve the economic and social problems related to the transformation of industrial plants, the requalifying of specialists, payment of compensation, granting of concessions, and so on.

The program reflects concerns with the conversion of scientific research and design organizations within the defense complex to the development of new kinds of civilian products and consumer goods that meeting the highest standards of world scientific and technical achievement. Moreover, the entire scientific and technical potential, as it becomes released from work to improve military technology, should be fully utilized for civilian needs.

The state conservation program was drafted on the basis of the following preliminary principles:

- The extent and depth of conversion was to be determined by the degree to which military expenses were curtailed in accordance with decisions adopted;
- State tasks were to be coordinated with the proposals of enterprises, organizations, and regions where the conversion process was taking place, while state aid was to be rendered to enterprises and organizations undergoing conversion for resolving social problems;
- Industrial production plants becoming released and the scientific and technical potential of the defense complex were to be reoriented primarily for the purpose of satisfying the priority demands of the national economy.

The program contains target indicators of Union government special-purpose programs for achieving major objectives of scientific and technical progress, including the development of civil aviation, non-military shipbuilding, a space program in the interests of the economy, communications to promote international

cooperation as well as the economy, prospective production of high-purity materials and compounds, and fiber-optic communications for enterprises of the USSR Ministry of Atomic Energy and Industry.

In each of these Union programs the basic tasks were determined together with the amounts to be allocated for processing and deliveries in the major categories of technological development, designating deliveries for exports as well as the amounts required for capital investments and the foreign exchange needed to carry out each program through all sources of financing.

**The Union government special program to develop civil aviation** is of major interest. It has been launched by funds set aside for scientific research, design, and testing and is aimed at meeting to the extent possible the demands of the public and the national economy for passenger transport and aviation services.

The program provides for the achievement of a wide range of tasks. Among them is the completion of tests performed on the Il-96-300 and Tu-204 airplanes and putting them into service as soon as possible; replacement of the obsolete An-24 with new Il-114 airplanes, accommodating 60 passengers, for local airlines; development of the new An-38 for local airlines, the Il-7611 for extinguishing forest fires, an amphibious airplane, and a new multipurpose agricultural plane; the design of an engine to improve the performance and efficiency of Il-96-300 and Tu-204 aircraft, while creating the prototypes for developing an engine for new types of passenger and transport planes; joint efforts with other countries to use foreign engines and on-board equipment to maintain the competitiveness of Il-96-300 and Tu-204 aircraft; improving the potential for exporting these aircraft; and developing new types of helicopters to improve their efficiency and our country's export potential.

To exploit the existing fleet of aircraft, measures are provided for to improve engine power, to increase the reliability of engine performance, and to modernize navigation equipment in response to new requirements for aircraft separation in flights over Western Europe and the Atlantic Ocean.

The completion of this program will make it possible to replace the present inventory of planes under the USSR Ministry of Civil Aviation with more economical, efficient, and up-to-date technology, which will reduce the presently unsatisfactory demand for passenger transport while making it possible to extend our exports.

To fulfill this program, research, design, and testing work worth about R8 billion must be carried out and R4.3 billion must be spent on the renovation of enterprises and organizations. In all, between 1991 and 1995, more than R16 billion are set aside for the Ministry of Civil Aviation to upgrade its aviation technology.

**The Union government special program to develop non-military shipbuilding in the construction of ships at domestic plants for the USSR Ministry of the Maritime**

**Fleet, the USSR Ministry of the Fish Industry, the USSR Ministry of the Petroleum and Gas Industry, and the USSR Ministry of Geology, as well as meeting the needs of the fishing fleet and other contractors. Ship production by 1995 is expected to be 1.75 times higher than in 1991, including increased deliveries of commercial ships for export overseas totaling more than R2 billion.**

Special attention is given in the program to developing new complementary equipment—radar, navigational, electronic, and power-generating equipment. The necessity for producing equipment of this kind is dictated by a need to improve the technical and economic standards of ships, and also to fulfill unconditionally international agreements to refrain from polluting the oceans and to maintain the safety of sea navigation. Capital investments totaling R700 million are required to carry out the program. Outlays for research, design, and testing amounting to R1.8 billion will make it possible between 1991 and 1995 to provide for the national economy and for export ships worth about R13.5 billion, including dry-cargo vessels, ice-cutting transport ships, tankers, tugboats, cargo ships with horizontal freight-handling capabilities, and ships of the technical fleet.

**The Union government space program** provides for enhancing the economic effectiveness of using satellites in various fields (communications, television, navigation, geodesy, meteorology) as well as for participating in the formation of an international market for space technology and information. Its main missions include communications with stationary and moving objects in space; space television and navigation; remote earth exploration; carrying out national economic tasks with piloted space vehicles and space technology; and scientific, medical, and biological research in space.

Completion of the program will make it possible to satisfy basic needs of the economy in communications; to solve the problem of providing republic television in the national languages; to extend the utility of space vehicles for transmitting information; to provide for transmission of signals broadcast by ships and aircraft in distress; and to reduce expenditures on geological surveys, studies of the natural wealth of forests, land masses, and predicting the weather. In addition, it offers the opportunity to produce semiconductors and biological or medicinal substances in space; to increase the impact of piloted research programs in space and maintain the USSR's lead in this area; to cooperate with the United States in a program to develop a unified international transport system; and to continue launches for commercial purposes with the cooperation of other countries abroad and with the participation of their cosmonauts.

**The Union government program to develop communications for economic purposes**, while serving to promote international cooperation, is directed primarily at satisfying the needs of the people and the national economy for communications services. To complete the program, allocations of about R700 million are earmarked for

capital investments in the restructuring of enterprises and organizations, and R11 billion for research, design, and testing purposes, including R2 billion for contracts and client contractors.

The program also envisions growth in the production of communications equipment for the Unified Automated Network of Communication in the Country (YeASS) [Yedinaya avtomatizirovannaya set svyazi strany]. The volume of production of switching equipment and information relay systems will increase three times in 1995 by comparison with 1991, and other defense complex industries will become involved in making deliveries of communications equipment.

Completion of the program will make it possible to accelerate development while improving the quality of all types of communications services available to the people and the national economy, while extending international collaboration in such vital areas as satellite communications, optical-fiber and digital transmission systems, in-flight radio communications, and high-definition television.

To develop production capacity on the basis of which to convert the enterprises and organizations and modernize communications during the period 1991-1995, capital investments totaling R4.3 billion are required, and outlays of R4.34 billion are required for scientific research, engineering design, and testing. This will provide the national economy with communications technology and equipment valued at R16.6 billion. Meanwhile, the amount of communications services in 1995 is projected to reach R18 billion, and the automation of international telephone exchange to reach 91 percent. Opportunities for local stations to hook up to the automated international telephone network are expected to increase virtually throughout the country. Single-channel television will become available at that time to 99.4 percent, two-channel television programs to 97 percent, and multi-channel programs to 60 percent of the population.

**The Union government development program of the Ministry of Atomic Energy and Industry for the eventual production of materials, substances, and compounds of high purity, microelectronic products, computers, and fiber-optic components** provides for a stronger impetus towards social objectives in the scientific and productive activities under this ministry and for pioneering development in fields reliant on knowledge that has been gained in both the pure and applied sciences.

A key factor in accelerating the development of production by the ministry under the conditions of conversion is the presence of a rich variety of deposits of elements, compounds, and ore concentrations in regions where uranium-mining operations are in progress. Plans call for measures to obtain materials for the economy with a steady sales market, particularly rare and precious metals, trace elements, and chemical compounds of recognized value, as well as products made from them,

and to spur chemical and metallurgical production by exploiting scientific advances, the latest technology, and high-purity substances.

This integrated approach to the problem of developing the field of microelectronics will eventually make it possible to secure the science-based technology and special technical equipment with which to obtain high-purity materials and substances with the special characteristics that are needed in electronics—an industry that requires unusually clean conditions for production. Thus the production base will be established for microelectronics, computer technology, and automation.

To meet new standards of quality required for data processing and transfer systems, serial production is planned using equipment for manufacturing optical fibers and cables made from them and for monitoring instruments with which to diagnose and fine-tune the systems developed. At the same time, it is necessary over a five-year period to carry out scientific research, design, and testing at a cost of R340 million, while making capital investments of R440 million.

**Projected program volume indicators are presented in the form of predictions with respect to the use of plants freed from producing military supplies by having been transformed and geared to the design and production of non-military products and consumer goods.**

The output of consumer goods other than foodstuffs is projected, in terms of 1990 prices, to increase to R44.9 billion in 1991 and to reach R71 billion in 1995; that is, by comparison with 1990 an increase by a factor of 1.8 is anticipated, and by comparison with the base year 1988 an increase by a factor of 2.6 is anticipated. Fifteen million television sets should be manufactured in 1995 (as compared with 9.6 million in 1988), including 12 million color sets (5.7 million in 1988), as well as 2.4 million video tape recorders, 7.5 million sound recorders, 8.7 million refrigerators and freezers (6.1 million in 1988), 3.2 million sewing machines (1.5 million in 1988), 7.7 million washing machines (4.2 million in 1988), 6.7 million vacuum cleaners (3.7 million in 1988), 3.4 million bicycles, 4 million cameras, 280,000 digital record players, 740,000 motorcycles and motorscooters, 360,000 power mowers and cultivators, 2.2 million kitchen ranges, and 1.8 million microwave ovens.

Total production of technological equipment for making over branches of the agro-industrial complex is scheduled to rise in 1995 to 2.2 times that of 1990, amounting to R3.92 billion (in 1991 prices and conditions), and with the participation of the USSR Ministry of Atomic Energy and Industry reaching a total of R4.9 billion. Enterprises of the defense industry should develop and assimilate automatic equipment and machines for the production of more than three thousand new product lines, thereby making it possible to completely renew the product list of technological equipment produced for this purpose.

For the first time in this country the task is encountered of providing batching equipment and various kinds of fast freezers for food concentrate and confectionery production. The licensing of concessions will make possible such industries as sugar refining, the manufacture of macaroni products, and beverage bottling by modern and highly efficient automated production lines.

Considerable attention has been given to innovation in the development of production, and specifically to the development of equipment complexes for enterprises of limited capacity, located in remote regions of the country and in rural areas where raw materials are available, such as milk processing, cheese production, bread baking, canning, and meat-packing enterprises. For these purposes there are plans to produce 1,185 units of up-to-date batching equipment in 1995, including 300 for bread-baking, 200 for canneries, 300 for meat-packing plants, 240 for sausage-manufacturing operations, and 70 for cheese production workshops. The schedule also provides for 1,450 production lines for bottling beverages, 3,020 automatic systems for packaging and packing various food products, and 200 assembly lines for producing confectionery and pastry products.

**The production of technological equipment for enterprises of light industry** is projected to reach R2.67 billion in 1995, which amounts to an increase of 1.9 times by comparison with 1990. The relative amounts of equipment produced will undergo a change with a marked rise in production of equipment that is economically useful and in short supply, thereby determining the degree of technological progress made in the field of light industry. This progress will make it possible by 1995 to satisfy in basic respects the need for the most critical kinds of equipment and to reduce the amount that is imported. During the period 1991-1995 branch enterprises of the defense industry should through their own efforts assimilate output by more than 1,400 items of equipment. This innovation, together with licensed purchases from abroad, promises to bring about a rise in labor productivity by a factor in the range of 1.5-2.5.

**The production of technological equipment for commercial and public food service enterprises** is scheduled to double in 1995 by comparison with 1990, reaching a total book value of R1.65 billion. This will become possible with the assimilation of output by more than 140 kinds of new equipment and the technical resources for a broader introduction of commercial methods of self-service with the sale of goods in packed or packaged form. Production is scheduled in 1995 of 575,000 units of commercial refrigeration equipment, 577,000 units of heating equipment, 330,000 machines for processing food products, 48,000 dishwashers, 30,000 food distribution lines, and 50,000 automat.

Modular equipment for the introduction of industrial methods of food preparation will be manufactured for the use of public food catering and service enterprises, consisting of a series of tanks and containers for food

storage and sets of equipment designed to expedite fast food service. At the same time, microwave ovens will be widely used to prepare ready-made meals.

**The production of medical technology** is projected to increase by a factor of 2.5 during the period 1991-1995 as a result of the conversion, making it possible to reach a total volume worth R3.8 billion. A number of enterprises, research institutes, and design bureaus within the defense complex possess the experience to adapt themselves to this kind of production. But the volume of deliveries does not yet meet public health requirements either in terms of technical proficiency or product quality. The conversion process creates an opportunity for significant growth in the production of advanced medical technology. Together with the growth of goods produced, research, development, and testing organizations are planning to create radically new types of medical instruments and equipment for use in such fields as ophthalmology, cardiology, applied stomatology, drug-free therapy, laboratory diagnosis, treatment monitoring, and intensive emergency care.

Enterprises of the USSR Ministry of General Machine Building plan to master production of high-quality rehabilitation equipment, including orthopedic and prosthetic devices, wheelchairs, and powered appliances for invalids.

**The program includes a list of 130 scientific and technical achievements of the defense complex recommended for use by non-military industries (most of which have perhaps already been turned over to these industries).** Many of them have no prototypes anywhere in the world. Among them are wear-resistant aluminum oxide coatings made by highly efficient methods of micro arc-welding anode-cathode oxidation; corrosion-resistant and wear-resistant coatings of chromium, aluminum, niobium, copper, silicon, and molybdenum, created by a method of ion-plasma spraying in a vacuum; ceramic materials fired at high temperatures for the manufacture of inexpensive turbines and internal combustion engines; and composite materials of glass, carbon, and organic fibers for the production of a broad range of tanks, pipes, and other articles for use in such areas as chemical machine-building, construction work, and the agro-industrial industry.

The projected amount of financing of research, design, and testing work for non-military purposes is determined by the amount of development required for major aspects of non-military production and scientific study as well as for special-purpose Union programs. For the period 1991-1995, projections include approximately R4 billion to be spent on the design of new models of technological equipment for the agro-industrial complex, light industry, trade, public catering services; R3.5 billion for medical technology; R4.2 billion for consumer goods; R4.6 billion for computer technology; R4.7 billion for communications and solid-state equipment for use in television and radio broadcasting; and R8.3 billion to develop new materials and technology.

Capital expenditures during 1991-1995 total R16 billion for complete Union government special programs; R15.2 billion to develop electronics; R13.2 billion to redesign plants for producing consumer goods; R3.2 billion to provide processing industries of the agro-industrial complex with new technology; and R1.7 billion for medical technology.

Included in the program is a section on developing a network of small-scale enterprises based on production freed from the design and manufacture of military technology, either leased or privately owned, having an inter-branch character, which can tap the potential of the defense industries for scientific and technical achievements by producing major products used in civilian life and consumer goods other than foodstuffs.

The program proposes to release entirely four enterprises of the defense complex from producing any military products—the Sretenskiy Shipbuilding Plant, The Leninskaya Kuznitsa Plant, the Poshkar-Olenskiy Mechanized Plant, and the Yuryuzanskiy Mechanized Plant. It also frees up 39 other non-military industrial enterprises previously involved in the production of military equipment, including four enterprises of the USSR Ministry of Metallurgy, seven enterprises of the Ministry of Heavy Machine Building, and tractor plants in Chelyabinsk, Pavlodar, and Vladimir.

To accelerate the process of re-equipping the national economy by exploiting the potential of the defense complex, and to bring about a radical improvement in the process of incorporating scientific and technical advances of the defense industries into the civilian sector, the need was recognized for an **All-Union Innovative Conversion Fund** formed with assets turned over by ministries, departments, associations, and organizations. This fund to expedite the conversion process by undertaking measures for the social protection of workers at enterprises undergoing conversion and to finance research and development applicable to non-military projects is scheduled to be established in 1992. Its formation presupposes the realization of assets gained through the sale of unfinished building projects and the use of military technology, as well as some of the assets to be derived from a year-by-year reduction in the volume of arms deliveries, military technology, and allocations for research, design, and testing, as well as from other sources.

To develop the foreign economic activity of enterprises undergoing conversion within the framework of rights and duties defined in "Basic Guidelines for Stabilizing the National Economy during the Transition to a Market Economy," the State Commission for Foreign Economic Questions and the State Commission for Military-Industrial Questions of the USSR Council of Ministers, acting jointly with USSR Gosplan and interested ministries and departments, are assigned the task of preparing during the first six months of 1991 a plan to expand economic cooperation of these enterprises with foreign firms by delivering competitive products for export.

With respect to prospects for developing affirmative actions reflecting a further diminution of international tensions and lessening of military confrontation, the program suggests that the USSR Ministry of Foreign Affairs, acting in conjunction with the ministries of the defense industries as well as with the enterprises, associations, and organizations, explore the international ramifications of converting the defense industries and keep administrative bodies of the military-industrial complex informed about the progress of disarmament negotiations and their outcome.

As demonstrated by the international conference on conversion that took place in Moscow under the aegis of the United Nations in August 1990, the disarmament process is becoming increasingly widespread throughout the world, and the vigorous stand of our country on this issue has had a substantial influence on the emergence of this trend.

With regard to extending the conversion process and strengthening its effect upon the development of the country's economy, the Institute for Economics and Forecasting Scientific and Technical Progress and The United States of America and Canada Institute of the USSR Academy of Sciences will submit practical recommendations, indicating various options for reducing military outlays, suggesting new ways to mobilize management during the changeover to a market economy, and assessing the implications of these efforts for future of the national economy.

The state program for conversion of the defense industry and the development of non-military production within the defense complex now extends throughout the country. In considering the government conversion plan for 1991 with respect to areas of USSR jurisdiction, its basic objectives were reviewed by the USSR Supreme Soviet and endorsed in a separate appendix to its decree on the plan.

An all-Union forecast by the USSR government of economic prospects in 1991 made an estimate of the total output of consumer goods (other than foodstuffs) and major non-military output under the influence of the conversion process. Specifically, it estimates a 1991 output of 9.95 million radios, 11.6 million television sets (including 7.93 million color sets), 6.3 million refrigerators, 1.9 million household sewing machines, 6.35 million washing machines, about 7 million tape recorders, 300,000 video tape recorders, 154,000 power mowers and cultivators, and 660,000 motor bicycles and motor-scooters.

The 1991 projection of technological equipment for light industry is valued at R1.71 billion (in 1991 prices); for renovating branches of the agro-industrial complex, R2.44 billion; for trade and public catering, almost R1 billion; and for medical technology, R1.9 billion.

The results of efforts by branches of the defense industry in 1990 under conditions of the conversion confirm the correctness of the approaches taken in drafting this

program. Enterprises of the defense complex produced in 1990 consumer goods worth a total of R38.3 billion—that is, 1.4 times more than the amount produced in the pre-conversion year of 1988. The technological equipment used to convert branches of the agro-industrial complex produced in 1990 output was valued at almost R2.3 billion (in 1991 prices), which represents an increase of 1.6 times in comparable prices over 1988; in light industry, the figure was R1.67 billion (an increase of 1.4 times); in medical technology, R1.54 billion (an increase of 1.4 times); in communications, R1.94 billion (an increase of 2 times); and in civil aviation technology, R1.44 billion (an increase of 1.7 times).

Without the measures that were taken to convert these industries, such rates of increase in non-military production would have been impossible. The fulfillment of the program entails strenuous efforts in reshaping the production plants freed from producing military technology. It is necessary to master new technology for producing civilian goods, to requalify large numbers of workers, to adjust cooperative relations, to raise the level of the productivity and organization of labor, and thereby expand the output of consumer goods.

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#### Volskiy on Industrial Union's Work Towards Market

914A0895A Moscow *IZVESTIYA* in Russian 29 Jun 91  
Union Edition p 2

[Interview with President of the Scientific-Industrial Union Arkadiy Volskiy by E. Gonzalyez: "If We Are Really Going in the Same Direction"]

[Text] The Scientific-Industrial Union (NPS) unites 1,500 enterprises and almost 40 associations, whose membership also numbers in hundreds and thousands. All in all, two-thirds of the country's output comes from the collectives—NPS members. They elected Arkadiy Ivanovich Volskiy—a rather well known party and state personality with past experience in the industries—their president.

One can look differently at the authority and influence of the Scientific-Industrial Union and its president, but the fact that A. Volskiy is highly informed in economic matters is, from my point of view, inarguable. One more factor that makes a conversation with the NPS president especially interesting: Unlike many other specialists, he sees the economy of the country from inside. Naturally, from this angle not all of his evaluations may coincide with those provided by economic institutes, Goskomstat [State Committee for Statistics], or the government.

That is why it is worth even more to hear what they say in the NPS about what everybody is talking about today: about the reasons, depth, and tendencies in the development of the economic crisis; about our move towards a market; about a possible dollar support in this most

**difficult time; and about our own efforts without which no billions will move us forward.**

[Gonzalyez] Arkadiy Ivanovich, we should probably start at the point that our economy shows long awaited signs of stabilization. In any case, Prime Minister V. Pavlov sees such signs and talks about them in his reports.

[Volskiy] I would be glad to confirm V. Pavlov's evaluation, but I cannot. Our strategic planning group will not allow me. We have young guys gathered there who have already proven their competence and professionalism many times. So, they maintain that stabilization cannot occur either this year or in the beginning of the following one. If we take absolute indicators for May, I do not think I can name one that shows growth. Comparison in so-called comparable prices, which are not such anyway, does not attest to much.

What we understand as stabilization, and then improvement, will start in the fall of next year under the best circumstances. This is what our strategic planning group believes anyway.

[Gonzalyez] What if something out of the ordinary happens? For instance, if nice people from other countries will indeed let this hard currency shower rain on us?

[Volskiy] Then we will buy metal for auto plants, thread for Ivanovo weavers, equipment, cables, and wire. But for all of that we need to sign contracts, work out technical and other terms—it will take a minimum of a year. This means that an improvement will come three or four months earlier, that is all.

[Gonzalyez] Since we cannot use stabilization as a starting point, perhaps we can start with the crisis itself?

[Volskiy] Well, we read and hear with increasing frequency that our economy started to fall apart when we began our transition to market relations. I think this is intentional disinformation. In reality, we are not transiting to a market yet, while the disintegration started before we announced our market intentions. In any case, before we passed the Law on Enterprise, which, basically, was the first harbinger.

We have to honestly admit that market has nothing to do with our crisis. At the same time, I am not convinced that the economic crisis would have started in our country anyway, as some people are saying today. The 1983, or even 1986 statistics, do not contain such indicators. I do not know of a single branch prone to such decline in those years.

[Gonzalyez] So what happened in the last two or three years?

[Volskiy] Many factors have been at play, but I want to point out one that is usually not mentioned. In many industrial branches we are solidly dependent on imports.

For instance, automotive plants were getting special quality metal for hard currency. Nothing could substitute for it, because the presses are designed in such a way that they accept only such metal. When our import capabilities shrank, a production decline at automotive plants started. Let us say, ZIL makes 50,000 fewer vehicles. But there are about 300 other plants that are interconnected with it; they make cement mixers, cranes, fire engines, and other vehicles. What are they to do?

[Gonzalyez] This means that we are integrated into the world economy to a greater degree than it would have seemed?

[Volskiy] Unfortunately, we are integrated in it in a very one-sided way: The world economy can more or less do without us, while we cannot do without it. Whether it is building autos, textile industry, or food processing.

And, of course, we need at least to mention among the reasons for the collapse strikes, nationalist conflicts, suspension of chemical manufacturing by local soviets, and the disruption of interrepublic and interregional ties.

[Gonzalyez] How many enterprises do we have today that are idle for one or other reason?

[Volskiy] Of those who are under the NPS umbrella—127. This is more than in the beginning of the year—at that time we were talking about 50 to 60 enterprises.

[Gonzalyez] I understand that this question should not be directed to you, but still, why is it that in this situation we hear nothing of the implementation of the anticrisis program? We have been in such a rush to approve it that it was adopted with some loose ends. It was decided to start the implementation immediately. Since then—silence.

[Volskiy] I would not call this program an anticrisis one. This is more of a working plan for the Cabinet of Ministers. Perhaps it sounds offensive to the government, but for a truly anticrisis program it lacks some substantial parts. To be specific: a correlation with political programs and economic agreements with the republics.

I am totally convinced that we have to start with economic agreements. Otherwise we will continue encountering surprises such as the transfer of industry under republic jurisdiction that was announced recently by the Ukrainian Supreme Soviet. How would you implement the anticrisis program there now?

[Gonzalyez] If the republic takes over enterprises in order to increase the volume of production, I do not see any harm in it. What would they do with the output without the Union market?

[Volskiy] I want to remind you that in 1985 only 3.7 percent of the industrial capacity belonged to republics and municipalities; in 1990 it was 39 percent, and by the end of the current year it will probably reach 62 to 64

percent. At the same time, production volume will reach 92 percent of last year's volume, if that much.

There is no need to elaborate where it leads at the time when barter is flourishing—there will not be enough to go around. True, there are bilateral agreements between the republics, but they are complicating the relationships even more. Favored and shunned regions are emerging, and those which have concluded treaties are ignoring the rest. An all-Union economic agreement could bring these processes into at least some framework.

[Gonzalyez] I am curious: What does the NPS do in this confusing environment?

[Volskiy] We do what nobody else does so far: We are quietly—I mean, without fanfare—creating a market infrastructure. While everybody is talking about transition to a managed market, we are talking about a managed transition to a market. Such a shuffle in the wording has a very deep meaning.

Let us say, a first joint-stock enterprise emerges—the Kama auto works. How does one determine the true value of its stock? This can be done only at a stock exchange. Therefore, our Union has become a cofounder of many stock exchanges in the country.

Enterprises that follow in Kama auto builders footsteps, naturally, would not want to repeat their mistakes. So we created a privatization center.

Market requires that people who work in this environment are well prepared and have start-up capital available. So we have organized an enterprise academy, a committee to support small- and medium-size enterprise, and two banks with a quite substantial volume of operations. We want to enter the market system at least minimally prepared. Therefore, in addition to infrastructure, we get involved in law-making. To put in plainly, we develop and propose to the Supreme Soviet legal foundations for the future market economy. Some laws have already been adopted; others are still in line.

[Gonzalyez] Market infrastructure, legal support—this is understandable. You did not say anything, however, about hard currency support, about those hundreds of billions everybody is talking about. Do you not need it?

[Volskiy] It is correct: They have already started to divide the skin of the bear that has not been killed. It has even been appraised precisely to the dollar—\$250 billion. I personally regret that absolute figures ended up in print before the calculations had been validated on the government level. Not because it is a secret, but because it all stayed at the level of guesses and rumors.

[Gonzalyez] Then let us step away from specific sums. Let us talk in principle: Do we need dollars or not? And if we do, then for what?

[Volskiy] Since the conversation involves not only our country, I want to make clear that I am expressing my own personal opinion. I believe that we needed dollars in

the past, and even more so now. Except that in the past we always used loans as credit. Got it, spent it as we saw fit, and then, when the time came, paid it back with interest. This money always flew as if into a black hole. We used it to conduct the Olympic games, or fed it to the cows as mixed fodder; at best, we bought a factory or simply purchased goods.

Most likely, some of these billions today will have to be spent the old way. It is unlikely that we can stop the production slide without raw materials, materials, equipment, and new technologies. It is unlikely that we can shift to a convertible ruble without a supply of food and consumer goods. Therefore, some part of these dollars we will have to simply consume. The important point is to make it a minimal part.

[Gonzalyez] What about the rest?

[Volskiy] The rest we should accept in the form of investment, that is, put it into the implementation of specific programs. There was a proposal to do calculations for about 15 programs. For instance, the conversion of the defense industry, which, in my opinion, will require about eight billion [currency not specified] a year. Or food processing. Or the development of the pharmaceutical industry.

[Gonzalyez] Is there a common denominator in these disparate programs? At least some selection principle? For instance, most important for us. Or most advanced for them.

[Volskiy] It is both; what needs to be emphasized, however, is that these are programs that affect the entire economy, the entire country, all the republics. Defense enterprises are everywhere; one can find them in the most remote corners. Everybody needs medicines. And so on. This means that investment programs will permeate our economic space in all directions and, hopefully, bind it together.

[Gonzalyez] But the same V. Pavlov recently expressed a doubt that capitalists will start investing billions without any profit for themselves.

[Volskiy] Why without profit? Business is business. The capital must work, multiply, bring profit. But, frankly, the main profit for other countries is the stability and consensus within our country. This will considerably cut their expenses.

[Gonzalyez] You have painted a clear and easy to understand scheme of using the dollars. What if we give in to temptation and consume a lion's share of it?

[Volskiy] We are talking as if we had already received these billions. Seriously, however, the possibility of spreading the loans around of course exists. It could be that the money may get distributed according to the diameter of the throat and the decibels of the shout "Give!"

I do not think, however, that we need to create a special organ that would control who sent the hard currency where and how much. It is another matter that we simply need the intellectual help of those who have lived for many years in market conditions. Things that we rediscover anew every time are normal and familiar for them. Such intellectual help also costs money, but it is worth it. In Germany, rebuilding itself after the war, such help was rendered by the sponsors' council, which included those who contributed the money.

In our case it is the IMF, the Bank for Reconstruction and Development, and so on. Of course, for a power such as ours, "sponsors' council" just does not sound right.

[Gonzalyez] Let it be called observers' council.

[Volskiy] I suspect that this is precisely what may cause most negative reactions here. From everybody—the right and the left. Have we reached the point, they will say, that we need to be supervised. But this is such a serious question that I will take the risk of making an unpopular confession.

We need intellectual help in an undertaking we have never attempted before. Before we get into it, "rules of the game" that will be mandatory for everybody need to be worked out. We will not do it alone, or we will again start taking a road of compromise. It is impossible to please everybody in business, though. If we find in ourselves the courage to trust those who were born and have lived in those market conditions, in the direction of which we are planning to go, the dollar "crutches" will be useful to us. Still, it is we who have to do the walking. Nobody has ever succeeded in simply buying a new economy—and on top of that on credit and with someone else's money.

### Regulations Discourage Small Enterprise Development

914A0903A Moscow DELOVOY MIR in Russian  
1 June 91 p 8

[Article by Nadezhda Shulyatyeva: "Will There Be Seven Feet Under the Keel?"]

[Text] At the present time, small enterprises have had by no means small hopes placed on them: they are given key importance in the formation of the market economy and in the process of privatization, at least at the initial stage. They are the first to assimilate various forms of the new economics: they are becoming cooperative-type, lease-type, and private enterprises. Their flexibility and sensitive ability to adapt to the possibilities of the multidimensional space of economic freedom, which features have already demonstrated themselves, make it possible to define how important that sector of our economy will be for restoring it. Because, while the major "ships" of industry are recovering from the major shock caused by the dismantling of centralized administration, are seeking a new navigational channel, and are taking a new course, these light and maneuverable business boats are

already picking up speed. If it were not for them, the general slump in the volume of production would be considerably worse. Because 60,000 of the country's small enterprises, with three million workers, are currently producing more than 30 percent of the consumer goods.

It would seem that all you have to do is fling open the doors for small business, and you can get out of the total shortage, poverty, and unemployment. But, unfortunately, that is not happening. The information arriving from various regions, and even from Moscow, demonstrates that the life around us, represented by various state formations, is being dealt with sternly by them, not even to mention the "tightening of the screws" in the mechanism of the formation of small enterprises. Nadezhda Shulyatyeva, president of the USSR Small Enterprises Union, discusses with our correspondent Valentina Salmikova the factors that are hindering the flourishing of small business.

Let's take a look at the map. Whereas in Krasnoyarsk Kray there are more than 300 MP [small enterprises], in the BAM [Baykal-Amur Mainline] region, that is of almost equal size, there are only 55. In Kazakhstan there are 4500, but in Azerbaijan, scarcely ten. This is the consequence of the existence of the union-level, republic-level, and municipal packets of organizational and directive documents that are not always coordinated with one another, leaving the opportunity for taking an arbitrary attitude toward the beginning entrepreneurs from the moment of preparation of the founding documents, and up to the state registration and even farther.

The primordial misfortune of small business lies in the fact that the state, while seemingly admiring its own child, actually is not showing any paternal concern for it. Because it would seem that this serious step had been taken with the adoption of the 8 August 1990 USSR Council of Ministers decree, entitled "Measures for Creating and Developing Small Enterprises." People thought that finally the government had flung open the doors against which the wave of entrepreneurship had been splashing! But what kind of entrepreneurship is there without the freedom of economic decision, with the business men having the same kind of dependence upon various external state structures, a dependence that is reinforced by that decree?

We read: "The charter of the small enterprise is approved by its founder... For state registration, the executive committee of the appropriate local soviet of people's deputies is provided with the decision concerning the creation of the small enterprise, and with its charter..." As we can see, those lines define the most simplified procedure for the creation of a small enterprise. There is a clear statement of the functions of the founder and the registering agency, and it is obvious that if the charter has been approved, it must be registered. But nothing is said about the monitoring of the content of the founding documents on the part of the registering agency. So what actually occurs? This same registering

agency demands additional materials: the technical-economic substantiations, computations, memoranda, and information without which it refuses registration to the applicants. And this has been continuing everywhere for long months, but none of the strong-minded interpreters of the decree bears any punishment for what is, in essence, the antistate, illegal actions that are economically detrimental to the country.

Or take the basic economic document of recent times itself: the RSFSR Law entitled "Enterprises and Entrepreneurial Activity." That decree omits the concept of "small enterprise," and, in a number of regions in Russia, this has led to a reduction in the number of MP registered.

Inasmuch as, for the enterprises that were in existence as of the moment of promulgation of the 8 August 1990 decree, the previous conditions and amounts of payments from profit were preserved, a certain kind of discrimination against them developed. That discrimination pushes them into the maelstrom of paperpushing, bureaucratic activity that is extended by the registration agencies—the executive committees. They force the entrepreneurs to prepare, approve, and coordinate new packets of founding documents, to re-register enterprises, and, correspondingly, to pay state duty and registration fee. And, once again, the re-registration procedure provides the opportunity for the appearance of subjectivism and even abuses.

All this makes it possible to understand that the small enterprises have practically no legal protection. Moreover, they are shackled by various limitations in the process of their activities. For example, they are given complete freedom to organize the payment of labor, but within the confines of 400 rubles of standard limitations of the union limit and 700 rubles of the Russian limit. If one considers that, at the present time, average monthly earnings of 350-400 rubles are typical of a worker with medium qualification level, it turns out that a small

enterprise is incapable of keeping a highly qualified specialist. And even the alternative of average earnings of 700 rubles is not very acceptable for science-intensive small enterprises—the ones that are innovative, state-of-the-art, technological, informational, etc.

It is incomprehensible why the general systems of accounting and statistical reports extend to small enterprises. As a result, they must maintain the complete set of traditional administrative services: an accounting office, a planning department, financial department, and a labor and wage department, even if each consists of a single person.

That is the way that the state has "shown concern" for the small-scale entrepreneurship that is forming, that is capable of guaranteeing a high commodity effect within the shortest period of time. And despite the fact that the representatives of all the state structures have visited foreign countries in order to learn how those countries take care of small business, our country has not borrowed that experience. Not in investment support, not in giving tax incentives, and not in promoting foreign-economic ties.

Today the country has not yet produced a "boss" who could resolve, on a comprehensive basis, the problems of the small enterprise, a person to whom one could appeal an instance of discrimination, a person who could protect small business from the arbitrary interpretations made by the agencies of local authority with regard to the laws and the legally binding acts, and from the decisions that are harming small business, which decisions are being made by the state structures. There is no doubt that the only people who can resolve the problems of small business completely are those who themselves are representatives of the economy that is coming into existence, and therefore it is necessary first of all to take steps immediately to form the appropriate representations at all levels of state administration in the form of committees to assist small enterprises.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Peasant Congress Proceedings Detailed

#### V. S. Pavlov Attends, Speaks

914B0188A Moscow SELSKAYA ZHIZN in Russian  
19 Jun 91 p 1

[Article by M. Silvanovich: "One Vaska the Cat [Character in Russian folk tales] Listens While the Other Eats"]

[Text] One could not accuse the directors of the USSR Peasant Union of inconsistency. Last June they interrupted their regular meeting for exactly one year after presenting the country's government with a group of demands. They stated that the implementation of these demands was mandatory, otherwise at the second, or current, stage of meetings an idea would have to be finalized concerning opposition to the government, or more precisely, defense of the interests of the 40-million strong army of village workers, at the head of which would be the union as a social and political organization.

Now a year later the congress is continuing its work. We can read about its results in yesterday's and today's issues of our newspaper. The goal of these articles is to show the atmosphere of coming together of several discrete positions. First of all, it is obvious that representatives of the kolkhoz-sovkhoz power structure no longer take out their anger, as before, on peasant-farmer structures. They politely acknowledge the unavoidability of a multi-strata economy in the village. V. Bashmachnikov, director of the Association of Peasant Associations in Russia [AKKOR], was elected into the presidium and allowed to speak. Farmer V. Tsvetkov of Smolensk Oblast was given the opportunity to speak.

Today things are hard for sovkhozes and kolkhozes, but they are even more difficult for the children of land reform, i.e., peasant and farmer enterprises. I spoke with some of the representatives of the new forms in lobbies and began to understand that on the local level we still find a struggle between the power section of the peasantry and the "renegades." Most importantly, the congress did not give in to the temptation of continuing the struggle, but demonstrated some signs of a consolidation of power...against the common "enemy"—the government. Yes, this sounds terrible, but this is not the time to and there is no reason to avoid the truth. Moreover, it is clear that the powers that opposed the congress and that were more in charge of the situation than the delegates, acted like the proverbial two-faced Vaska the cat—one face listens by force of habit, allowing everything to pass by his ears, and the other continues to eat as he always has. The obedient Vaska has again tried to appease the public with the non-committal speeches of V. Chernovianov, USSR Minister of Agriculture and Food, who concluded with the plaintive words, "We will ask the city to help us with the harvest."

The situation involving the eating Vaska was much worse—it was as if he was at the congress, and yet he was not. The fact is that during the year that the congress did not meet, a great deal had changed. The government at which the demands had been directed no longer exists. The new chairman of the new council of ministers, V. S. Pavlov, whose presence at the congress was announced at its opening, spoke that day at a session of the USSR Supreme Soviet, and at the demand of the delegates the congress was forced to adjourn for 2.5 hours until V. S. Pavlov arrived to report on the implementation of the peasants' demands of the previous year.

At the appointed hour the prime minister was at the podium but, in the opinion of many delegates with whom I had the opportunity to speak, the situation could not now be of full value because...V. S. Pavlov had come, but President M. S. Gorbachev, who had been at the morning meeting, was no longer there. For example, I. V. Kocherga, chairman of Zarya Kommunizma Kolkhoz in the Poltava area, said the following:

"The congress should have begun with a report on the fulfillment of the demands, to take advantage of the presence of the president."

He has a point. Too much has happened during the past year. First of all there has been a threefold to fivefold increase in prices for everything that the city needs to survive, and which the village has needed for a long time—since time immemorial it has been carrying the cross of the feeding mother for the government. It occurred to me that perhaps the delegates forgot to begin the congress with a discussion of whether their demands were met because they were still in shock about the increase in prices for equipment, fertilizer and mixed feed, and had decided to jump right into a discussion of this. In the opinion of the speakers, under today's conditions the village is not capable of moving further toward market relations—the noose has been tightened around its neck and it cannot move.

I will interrupt this thought in order to illustrate that which I have said through the words of delegates with whom I had the opportunity to speak.

K. V. Kunitskiy, general director of the Ramenskoye Association, Moscow region:

"Instead of village planning of material-technical supply we now operate according to the concept of 'you give to me and I'll give to you.' Even for capital deliveries of technology and equipment, industrial enterprises demand recompense in the form of produce and cash."

I did not believe what Konstantin Viktorovich said next, and still doubt that I really understood him.

"Before receiving a KamAZ car," he said, "one must first buy stock worth 150,000 rubles in the company that manufactures the car. Of course this is in addition to paying for the car itself."

What is this? At one time the monopolization of industry occurred at the expense of the labor and material resources of the village, and now state divestiture is also occurring at the expense of the village? Yes, this Vaska is holding fast to the villager's meat pie! Notorious barter (a ton of meat for a ton of metal, 10 sheep for a water pipe) completely undermine faith in tomorrow. Here the market turns out to be one-sided: industry long ago untied its own hands by means of ultimatums, ignores planned deliveries and is letting prices run free while the village continues to serve the fatherland, trying to bear the burden of 100-percent state orders and to get along on earnings from products according to established prices.

Another collocuter, the well-known chairman of Sovetskaya Belorussiya Kolkhoz, V. L. Bedulya, touched on the subject of patronage ties between the city and village.

"In our kolkhoz we cultivate 300 hectares of potatoes annually and produce 340 quintals from each. Just two machine operators complete sowing and cultivation. But we can harvest only about 80 hectares on our own. So what should we do? Sow 30 instead of 300? It is the sign of a serious illness when the city moves away from helping the village, and it can result only in starvation."

Vladimir Leontyevich provided a number of examples in his own Brest Oblast, in the republic and in the country that attested to the fact that the loss of the basic ideas of the priority of the food sphere of the economy is leading directly to the destruction of the production and processing branches of the APK [Agroindustrial complex].

I asked him what role he is attributing to the congress as a mechanism to withstand this epidemic.

"I oppose extreme measures. Boycotts, strikes—these are not in the spirit of the peasantry. But the union is needed as a social and political organization through which the voice from the land will be transmitted to the upper echelons of the state pyramid. I repeat—boycotts are not our style. But I will not rule out such warning measures. If there is no change in the price of equipment or in its quality to our advantage then by decision of the Peasant Union it may be necessary to stop purchases of such equipment from manufacturing plants. The congress must demand the revocation of all peasant taxes except the one on land. But this must depend on the quality of the land."

V. S. Pavlov came to the podium. In the hall something happened that can be compared to an after-lunch nap. The speech was nothing at all like the report that delegates had striven for so much. The prime minister expounded on the anti-crisis part of the program that deals with agricultural problems and that is already well known. Here we have permission to sell 30 percent of our products according to free prices and a 30-percent decrease in the price of mixed feed. He agreed that Rostselmash [Rostov agricultural machinery firm] combines really are somewhat overpriced. He even allowed

himself to move toward an attack on some spheres that accompany agriculture: the agricultural service, VASKHNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] scientists, and processors—they produce too little marketable product per ton of raw material, and village soviets—they are not taking upon themselves all concerns related to social, cultural and consumer facilities. There were also clear allusions to the interference in the union program by republic sovereignties.

This portion of the meeting once again attested to the fact that written speeches lull even suspicious listeners to sleep. It also came to light that before the lunch break G. V. Kulik, RSFSR Minister of Agriculture and Food, gathered the Russian delegates and went down the list of last year's demands point by point, generously "removing" a large number of the problems. I am putting the word "removing" in quotation marks because the majority of the measures indicated by him have not yet reached the local level, and still remain just words, most of them said extemporaneously. Was this the reason for the hall's appeasement? Did they actually believe this?

Meanwhile, delegates listening to V. S. Pavlov began to gradually group themselves near the microphones. The hall began to liven up as if the members had remembered why they had come to the meeting. Among the questions were some that the prime minister deemed incorrect. The nerve! A kolkhoz chairman from Omsk Oblast wanted an explanation of how it could be considered an anti-crisis measure that the price for mixed feed was raised from 18 to 40 rubles a quintal and then decreased 30 percent. The Dagestan representative could not understand why kolkhozes, bearing on their shoulders the entire impact of the economic blow due to increased prices, would have to use their profits, of which none remained in some of them, to pay out compensation to the workers of fields and farms. Also "incorrect" was the question of why equipment being released from the armed forces was in the control of cooperators-second hand dealers, and for this reason was being sold to agriculture according to prices that has increased ten-fold?

Behind these questions stood the long-suffering village. It is finally demanding a solution.

At the end of the second conference day USSR President M. S. Gorbachev spoke to the delegates.

#### Regional Leaders Speak, Starodubtsev Criticized

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20 Jun 91 p 2

[Article by N. Aliyeva, N. Kopanov, Ye. Petrakov: "We Will Feed the Country If No One Interferes"; "At the Second Stage of the Constituent Assembly of the USSR Peasant Union"]

[Text] After the report the first to speak was A. Ye. Borontsov, chairman of Leninets Kolkhoz, Bryanskij

Rayon, Bryansk Oblast. In his speech he said in part that he felt it was dangerous to juxtapose kolkhozes and sovkhozes on the one hand against farmer and individual enterprises on the other.

One wonders, who needs this kind of juxtaposition? After all, it is clear to all that we cannot continue living in this way. It is essential to reform our kolkhozes and sovkhozes. They are the institutions that will give rise to cooperatives based on a single settlement or village, and to peasant enterprises. It is possible we will have other new forms of labor and property organization on a shared social or stock basis. This process must be looked upon without hysterics and confrontation, as an objective law in the birth of liberated labor and entrepreneurship. Naturally, our old forms will continue to exist for a long time, and they must also be strengthened and supported. This was already noted in the report. It is another matter to force the process. This should not be done.

In considering the lawmaking activities of people's deputies, the speaker noted that those for the sake of whom the laws are being made remain at the side not only at this stage of development but also after the confirmation of the laws. Despite numerous requests, the majority of draft laws are passed without preliminary consultation with the Peasant Union even though there had been an agreement about this. After all, today we must harmoniously discuss the main question—how best to implement land reform, how best and least painfully to implement privatization, and what mechanisms and structures must function under conditions of a transition to the market. But we are not doing this, and this is because there is no single clear program for transformation today. We have partial laws but no mechanism with which to implement them.

At the beginning of this year the USSR Supreme Soviet Committee for Agricultural and Food Policy, when confirming the program of action of the council of ministers, expressed and introduced its proposals on the stabilization of the branch's work. Then, seeing the interruption in the fulfillment of our proposals, we made a deputy request to the council of ministers, and then after it was discussed on 4 April a resolution of the USSR Supreme Soviet was passed concerning the situation in agriculture and urgent measures to prepare for field work. To the credit of Mikhail Sergeyevich Gorbachev, on 8 April a presidential decree was issued to implement this resolution. Then on 15-17 April the council of ministers passed the well-known decrees that gave the same orders to USSR ministries and departments with an indication of specific fulfillment schedules. As you know, a great deal was accomplished. Here we cannot rebuke the government for not being aware of the urgency of the problem. But a great deal was not done. Having seen the political instability and an unguided economy resulting from a parade of sovereignty and legal battles, the agricultural committee again examined this question. It turned out that many positions are being torpedoed by republic organs and enterprises that have been transferred to

republic jurisdiction. For this reason, in order to prevent the illness from becoming prolonged the committee feels it is essential to turn together to the country's president, the federation council and republic administrators for an agreement and to sign a separate official protocol attached to the union agreement dealing with cooperation of republics to solve the problems of the agroindustrial complex on the basis of integration within this sphere.

The speaker proposed raising the status of the USSR Ministry of Agriculture and Food, to make it an organ that is really capable of influencing the situation in agriculture and the processing industry, giving it effective keys for implementing agricultural policies. In the opinion of A. Ye. Borontsov, the congress must turn today to all parliamentary committees and commissions of the USSR and republic supreme soviets involved in the problems of the village with a proposal to unite efforts to maintain our unity regardless of forms of land ownership and management. It is important now as never before to consolidate the operations of the committees of the Supreme Soviet, the Peasant Union, the Kolkhoz Council, and AKKOR, remembering that it is in the USSR and republic supreme soviets that the foundation of our future life is being laid.

A. G. Borovik, chairman of Avangard Kolkhoz, Chernigovsk Oblast, the Ukraine, who spoke next, noted:

"I have not come to the podium to again dramatize the situation in the village. Yet I must note that in the time after the first stage of the congress the situation in the village has not improved, but on the contrary, has became more complicated." The speaker proposed the creation of a strike committee at this congress that would react adequately to the developing situation and that could demand the naming of those who are guilty of what was happening.

The speaker feels the difficulties in the village stem from the serious mistakes of our politicians, scientists-agrarians, the government and the means of mass communication, which slander peasants without selectivity. Meanwhile, in the Ukraine kolkhozes and sovkhozes produce over 50 million tons of grain annually, or more than one ton per capita.

Touching on the government's tax policies, the speaker noted that they have resulted in the fact that already today about half of Ukrainian kolkhozes became insolvent, and by the end of the year all kolkhozes will be ruined. For this reason, it is essential for the national government to reimburse agriculture immediately for expenditures via procurement prices, including raising wages for kolkhoz farmers.

P. G. Mikov, director of Krasnopolyanskiy Sovkhoz, Nazarovskiy Rayon, Krasnoyarsk Kray, discussed the terrible material-technical supply situation of kolkhozes and sovkhozes. In 1990 this kray's agriculture received

42 vehicles for 160,000 workers. In the city of Krasnoyarsk there are enterprises which have only 1,500 workers. But they received enough capital to acquire 500 such vehicles. We received one car for the entire rayon, where there are 7,500 sovkhoz workers.

If we have a market, let there be a market. Then we will establish an order for receiving equipment, we will establish approaches, and we will develop principles. But right now what is happening is incomprehensible.

Then V. K. Rudi, chairman of Kolkhoz imeni Kirov, Pavlodar Oblast, Kazakhstan, spoke. He said:

"All of us realize that this year our country is experiencing an especially difficult period in its development, the signs of which are political and economic instability in many regions and a decrease in the already-low standard of living and well-being of all Soviet people. All of this gives rise to great concern and worry in the hearts of Kazakhstan peasants because it has a considerable and negative effect on the development of the republic's agricultural sector. Already by last year's results we see a decrease in production and sales to the government. In four months of the current year as compared to the same period last year sovkhozes and kolkhozes decreased milk and meat production by five percent, and deliveries into state funds of meat—by 37,000 tons and of milk—by 52,000 tons. Of special concern is the decrease in the size of the herd of all types of livestock. In the time that has passed since the first stage of our congress, the situation within our republic's agricultural sector, as in the country as a whole, has deteriorated even more. Whereas a year ago at least leading enterprises, working efficiently and with a profitability of over 50 percent and receiving up to 10 million rubles in profits annually, were able to decide questions related to strengthening the production base and to building structures designated for social and cultural purposes, thereby achieving increased production output, today in these same enterprises the situation is one of crisis. Even the nationally-known 40-Let Oktyabrya agricultural firm of Taldy-Kurgan Oblast, which has earned up to 50 million rubles of clear income in recent years, is beginning to experience financial difficulties, and in 3-4 months it may remain without resources. How can the other enterprises live and work under such circumstances?

According to predictions, by the end of the year in the republic up to 80 percent of sovkhozes and kolkhozes may be bankrupt. Already today some enterprises have not paid out wages for several months. This situation developed not because of a worsening in the work of village workers, which is sometimes stated by some "experts" on agriculture, but as a result of the policies that are being implemented for the agricultural sector by the national government. After all, the attempt to establish price parity for agricultural and industrial products is nothing more than mockery of villagers. After increasing procurement prices for agricultural products by an average of 32-45 percent, it immediately allowed industry to increase prices for equipment, technology,

spare parts, building materials and many other things by a factor of 1.5-3 or even more.

The ever-increasing interest of 11 to 25 percent for Gosbank loans, which in our opinion should be no more than three percent, is an immeasurable burden for agricultural enterprises. The Presidential Decree and resolution of the USSR Supreme Soviet on priority measures in agriculture and the law passed in some republics, including in Kazakhstan, on the priority development of the village and the APK are being implemented poorly and slowly on the local level. In the crisis situation that has developed the Kazakh SSR Kolkhoz Council, having examined these problems during its plenary session on 29 May, is calling upon sovkhozes, kolkhozes, peasant unions, the deputy corps and farmers at all levels, in the name of the two million peasants in the republic, to jointly defend the interests of the peasantry, to work for agreements with the government on all urgent problems related to the development of the APK within the country as a whole and to include measures that will actually demonstrate concern for the village.

V. I. Chernoivanov, USSR Minister of Agriculture and Food, said in his speech that the Peasant Congress was taking place during a very stressful period. The instability within society, the imbalance in economic ties, the weakening of discipline and order—all of this affects first the work of agriculture and the food complex as a whole. Nevertheless, despite difficulties, spring field work is taking place everywhere, the procurement of feed is being carried out intensively and on the local level farmers are actively preparing for harvesting.

At present the agricultural year is an average one, and the coming harvesting period is expected to be intense. The main task will be to prepare for harvesting operations in good time and with quality and to carry them out with the smallest losses possible.

Land reform is an important question. Its basis is the development of a multi-layered economy and the active support of all forms of management—kolkhozes, sovkhozes, farmers, leaseholders, village cooperatives, associations and groups of goods' producers. These groups should not be set off against each other. One should not be given preference over another. Equal operating conditions should be created for all of them legally, economically, and in the area of material-technical supply.

While supporting the development of a varied economy in every way possible, we must nevertheless recognize that in coming years and in the near future kolkhozes and sovkhozes will remain the basic producers and suppliers of agricultural products. In connection with this, said the speaker, we will give even more attention to questions of rejuvenating them and of increasing their economic effectiveness, and first and foremost by means of increasing their economic independence. Here the main problem must be solved: kolkhozes and sovkhozes

must have the right to dispose fully of the goods they produce that remain after they have fulfilled their obligations to the state. This will strengthen motivation and increase the interest of collectives and of every village worker for high end results.

An important reserve for increasing effectiveness is the development and expansion of the storage and production processing base directly in enterprises. Here we need government support of work to develop and produce storage facilities for grain, vegetables and potatoes, and small shops for the processing of meat and milk and for the production of cheeses, canned goods, sausages and other products directly in zones where the products are produced.

We will also actively support peasant enterprises, said the minister, by creating the necessary favorable material-technical prerequisites for them.

The fundamental problem is the development of scientific-technical progress and material-technical support of agroindustrial production. In this regard the situation is becoming critical. Agricultural machine building, our main machine manufacturer, is practically on the verge of ruin. As a result of a sharp curtailment in the delivery to agriculture of many machines and equipment today's level of technical supply has dropped to 1985 levels on the average, and to 1982 levels in some cases. The delivery of material-technical supplies to agriculture have decreased and during the first five months of the current year a large quantity of equipment was not delivered.

Our principle position is that during the period of transition to the market, material-technical supply of the agroindustrial complex must be implemented on the level of state orders on a mandatory basis for at least the basic nomenclature. We feel it is essential, continued the minister, that USSR Agrosnab [Agricultural Supply Service] be a part of the USSR Ministry of Agriculture and Food in order to maintain the existing single system of material-technical supply for the APK.

The processing industry is also faced with many problems as regards deliveries of equipment. The development of the food industry is an enormous reserve for increasing food production. Due to the weak storage and processing base up to one-third of agricultural products that have already been cultivated and harvested are irretrievably lost. The pace of growth of capacities of enterprises in the food industry still lags behind the pace of agricultural production output.

In characterizing the social situation of the village, the speaker offered the following comparisons. Wages per worker and total monthly income per family member in the village are significantly lower than in the city. In rural areas less meat and milk, i.e., that which is produced locally in the village, is consumed on a per capita basis. During the last 60 years investments in the non-production sphere have been elevenfold less for an agricultural worker than for a city worker.

The USSR government and union republics have developed and confirmed a program of social development for the village. It indicates the basic directions of social restructuring in the coming year and goals for the future until the year 2000. A government program of gasification and electrification of settlements has been presented for confirmation to the USSR Council of Ministers. Normative documents and drafts have been developed for peasant enterprises and farms, and norms for the building up of farms have been made more precise. Here the main thrust is being directed at the rejuvenation of small villages and settlements, at building roads, and at supplying them with fuel and energy networks and service objects.

We will firmly follow the road to a radical transformation of social conditions in the life of the village, said the minister. We feel that this is one of the most important problems in the activities of the USSR Ministry of Agriculture and Food and in the development of the country's agroindustrial complex.

N. O. Zhumbayev, chairman of Kirghiz SSR Peasant Union, spoke next. He said that the work experience accumulated since the existence of the Peasant Union has demonstrated that under conditions in which all forms of property have received equal rights we must find ways to protect the interests of all peasants. For this it is essential that others take us seriously. We simply cannot continue to live as we have lived.

Today it is justified to pose the question in the following manner: Do we need such a large detachment of farmers? Would it not be better if fewer people worked the land, if they were more skilful and if they could feed us not as a result of the quantity of peasant labor but of skill and enterprise? We should not frighten the people with unemployment; it does not threaten a diligent people. Look at the contemporary sphere of services to village residents. What kind of social-consumer sphere surrounds them? Those who no longer work as farmers can create private hairdressing shops, sewing shops and cleaners, building and repair brigades and private nurseries and kindergartens. Those who voluntarily assume these duties will be assuming many of our daily concerns. But they do need government support.

In the speaker's opinion, it is alarming that various enterprises are entering the market from different starting positions in terms of technical supply, availability of manpower and financial and social development.

In his speech V. P. Tsvetkov, head of Desyatina Peasant Enterprise, Smolenskiy Rayon, Smolensk Oblast, said:

"In almost every speech it is customary to hear warm words from kolkhoz and sovkhoz directors about farmers and managers of individual peasant enterprises. We are prepared to accept this trust in all sincerity and to continue cooperating with you. Today in the oblast we have 300 peasant enterprises. They have successfully

completed sowing operations and I think that with the aid of kolkhozes and sovkhozes they will also complete harvesting."

Unfortunately, support for peasant enterprises is not at all as it is here at the congress. At the rayon level as well as in kolkhozes and sovkhozes land reform laws are boycotted. The directors of enterprises often do not allocate land parcels to those who wish to leave the kolkhoz or sovkhoz, and they do not allocate the share of production capital due those desiring to leave.

The speaker gave the example that in Kozinskiy Sovkhoz the director refused future farmers their share of production capital and land parcels by saying that a sovkhoz is not a stock company. The speaker called on everyone to respect and defend our laws.

Unfortunately, as of yet there has been no assessment of the work of the administrative organ of our Peasant Union. It is incomprehensible why all speakers are avoiding this question.

A. N. Tkachenko, Ukrainian SSR State Minister for Agricultural and Food Policy, emphasized in his speech that just by eliminating the stereotypical ideas and mythological approaches to the role of the peasant in our society, we will be able to earnestly approach a truly scientific conception of agricultural relations and to make a non-emotional analysis of the past and current situation. The Peasant Union cited the right of village workers to freedom, equality, independent management of the enterprise and the ability to dispose completely of products of their labor as the reasons for its existence. We are striving to raise the country's granary to a level in society that corresponds to its initial destiny. I think that each delegate today has recognized to an adequate degree his responsibility for the future of the peasant.

In analyzing the agricultural policies of the Ukraine, the speaker reminded us that this year for the first time 70 percent of centralized capital investments have been allocated from the republic budget for the agroindustrial complex. It is planned to significantly improve the supply of building materials and to introduce an efficient method of building. This has provided the opportunity to formulate a state gasification program, to triple water supply to the village and to develop the enterprise's own base for a building industry. Significant changes have been made in the plan for the financial improvement of the enterprise. Considerable debts have been written off. Purposeful work is being carried out to equalize supplies of consumer goods to the city and village. We plan to finish this work in 2-2.5 years. This approach has given rise to a certain optimism and has given the republic government a chance to stabilize the situation and to make a transition to dynamic growth in food production output. We have developed a general republic program, "Food-95." Further the speaker noted that hindrances on the path toward reform in the republic include departmental monopolies, administrative regulation of

economic relations in the village, the artificial juxtaposition of the interests of the city and the village and the destruction of ties between the working class and the peasants that were developed over decades.

In the speaker's opinion, the idea of the development of farmer enterprises is not worthy of serious attention. It is essential to put as many resources as possible into kolkhozes and sovkhozes. Where are they to be obtained? New capital investments will be found if the conversion is forced to work for the agroindustrial complex.

The speaker complained about the republic's industrial enterprises because they undersupplied the village this year with many combines, automobiles, tractors and other technology.

At the 17 June day meeting the following speakers also participated: A. I. Dubko, member of the USSR Peasant Union Central Council and chairman of the Belorussian Peasant Union, V. F. Bashmachnikov, AKKOR president, Yu. A. Peskov, general director of Rostselmash, and other delegates. After a break, V. S. Pavlov, USSR Prime Minister, provided information from the USSR Council of Ministers on the socio-economic and social-political situation in the country.

The head of the council of ministers emphasized that today we can say with certainty that the majority of the people have recognized the historical unavoidability of the ongoing transformations and support continued real progress toward democratization and glasnost, a variety of property forms, and extensive economic freedom of regions, labor collectives and every individual person. Nevertheless, it would be premature to speak of civilian agreement about that which has to do with the socio-economic and political aspects of meeting these goals.

Today society is ideologically divided and exceedingly polarized. A clarification of relations between parties, social-political organizations and movements has clearly been dragged out in some republics and at times takes on the forms of severe conflict.

Naturally, the absence of civil agreement in the country considerably complicates and makes difficult the activities of the USSR Council of Ministers and narrows our possibilities for passing and implementing important decisions.

Under such circumstances the government feels it is its priority duty to focus efforts on solving those key and basic problems which directly affect the state, economic and even, if you will, physical survival of our people and the country as a whole. It would be irresponsible on our part to become involved in politicking, to make various types of promises, and to earn an easy authority for the government while circumstances demand the immediate implementation of sometimes unpopular but unavoidable and undelayable measures.

## AGRICULTURE

The elimination of lags in the agricultural sector and its departure from a crisis situation are the decisive factors in the stabilization and improvement of the country's economy, said the head of the national government. For this year the agricultural sector was provided with the limits of capital investments on a level that is not less than last year's. Capital investments were curtailed for all other branches of the national economy. With a decrease in petroleum extraction and in the production of motor oil, in order to carry out spring sowing we diverted a million tons of gasoline from export and directed it as a supplementary allocation into agriculture. Right now we have no hard currency. The country is in debt but we were able to find 175 million convertible rubles to buy pesticides. We are taking measures to supply livestock raising with concentrated feeds, including by means of state reserves.

Further V. S. Pavlov discussed the proposals of the government's anti-crisis program. It is possible to bring the economy out of crisis only through joint efforts on the part of the center, the republics and every labor collective, he said. In the near future it is important to stop the drop in the population's standard of living and to normalize food, medical and consumer supplies. It is essential to prevent further ruin of monetary circulation. The key to the program is to provide incentives for all workers for more productive work. There is no other way.

We will develop our economy not only as a market but also as an open economy with mutual ties and in competition with the world economy.

Domestic conversion of the ruble, to be introduced in 1992, will be a radical step on this path. Based on the experience of the countries of Eastern Europe, it will make exports more attractive and profitable, bring domestic and world prices closer together and make cost accounting equal in foreign and domestic operations of enterprises. With the market foreign currency will be equally accessible for importers. The difficult mechanism of hard currency deductions will become unnecessary.

It is evident that we need a serious maneuver to attract foreign capital into the country. Attracting it in the form of credit close to its limits is inefficient for the future. The main channel for the future should be foreign investments going directly into production and not increasing the government's foreign debt.

As a priority it is essential to implement privatization of enterprises that provide services to the population and that process agricultural raw materials in order to develop in the village a network of small enterprises with different forms of property. The prime minister explained that government divestiture is not privatization. First and foremost it is a change in the forms and methods of management that will attract workers to an

interested management of the enterprise. In turn, privatization does not mean the creation of individual property. This is usually collective property.

In the near future the private sector will undoubtedly remain the main producer of commodity products. Even 100,000 peasant enterprises will not be able to rapidly alter the food situation. Any farmer enterprise means a large investment not only in production itself but also in infrastructure—roads, the socio-cultural sphere. What is important is what can be most effective today—reforming relations in kolkhozes and sovkhozes by means of cooperatives and joint stock associations, as well as the development of peasant enterprises and individual town residences of villagers.

In speaking about coming harvest operations, the prime minister emphasized that we must not tolerate a repetition of last year's mistakes, that everything possible has to be done to avoid large losses, which this year are especially undesirable considering that the harvest will probably be smaller than last year's. For this reason the government must have the freedom of action to deal with questions such as sending manpower, the means of transportation and equipment from enterprises into harvesting. It must also be possible for it to maneuver resources between republics and regions.

In order to solve such problems in a number of cases we will need additional powers which enterprises, local organs and republics now have.

After the answers of the prime minister to numerous questions by congress delegates, the evening session of the congress was closed.

June 18 was the second day of the work of the congress. At first nothing inflamed great passions. The presidium occupied its place. There were guests there in addition to delegates: Ye. S. Stroyev, secretary of the CPSU Central Committee, V. M. Velichko, First Deputy USSR Prime Minister, and V. I. Chernovianov, USSR Minister of Agriculture and Food.

The discussion was continued. However, things were not easy already for the first speaker, M. Sopyyev, chairman of Sovet Turkmenistana Kolkhoz, Gyaurskiy Rayon, Ashkhabad Oblast, Turkmen SSR. He was not permitted to speak; attempts were made to interrupt his speech with applause. Although he managed to complete his talk it became clear that meeting participants wanted no more discussions.

But this is what happened. Proposals were made to allow short statements from the microphone. The opinions that were expressed can be summarized as follows.

Displeasure was expressed at the leadership of the Peasant Union and at its chairman, V. A. Starodubtsev. In the opinion of some, V. A. Starodubtsev has not demonstrated enough energy and consistency in defending the interests of the peasants and moved toward unjustified compromise with the government.

The previous day's speech by Prime Minister V. S. Pavlov was subject to sharp criticism. We could not avoid rude remarks directed at the head of government. Any discussion, even the most passionate, should be carried out in a civilized manner.

The more skeptical speakers proposed that the congress be concluded and that dissolution of the Peasant Union be announced. In their opinion the congress would not be able to gain the acceptable decisions from the government anyway.

A proposal was made to create a political party on the basis of the Peasant Union to protect the interests of peasants, since the union will not be able to do this soon.

Finally, the previous day's proposal by A. G. Borovik, chairman of Avangard Kolkhoz of Chernigov Oblast, about creating a strike committee was remembered. In supporting this proposal, the speakers demanded that the strike committee should negotiate immediately with the government. A strike was proposed if its demands were not satisfied.

The more moderate speakers warned of the danger of such extreme measures. Proposals were made to act through legally elected organs of power and not hurry with threats. But judging by everything, moderation no longer characterized the hall. Under such circumstances it is simply impossible to make measured decisions.

I feel that the presidium came to the right conclusions. An adjournment of 1 hour was announced. It was to be used for the meeting of delegations to develop appropriate drafts of documents for the congress to adopt.

After the adjournment the participants passed a resolution on the course of fulfillment of the decisions of the constituent assembly of the USSR Peasant Union at the present time. Changes and addenda were introduced into the Decree of the Peasant Union. The membership of the Central Council of the USSR Peasant Union was replenished.

USSR President Comrade M. S. Gorbachev spoke at the evening session and answered questions of delegates.

**Peasants' Union Congress Resolution Published**  
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25 Jun 91 pp 1-2

[Unattributed article: "USSR Peasants' Union Constituent Congress Resolution on the Course of Fulfillment of Constituent Congress Resolutions and the Current Moment" Adopted 18 June 1991]

[Text] The Constituent Congress of the USSR Peasants' Union notes that an extremely tense socio-political situation has arisen in the country. Society has been gripped in a fierce struggle for power. Meetings, strikes and inter-ethnic conflicts have paralyzed the national economy's normal rhythm of operation. All this leads to a

deterioration of the economy and a sharp reduction in the material well-being of the working people.

The situation in the country's agrarian sector has become acute and is taking on a critical character. Despite the numerous announcements by the governments of the USSR and the union republics regarding the priority development of the agro-industrial complex, the attitude toward it is growing worse every year.

The Congress emphasizes that a large part of the questions which the delegates posed to the country's President and the USSR Supreme Soviet during the first stage of the Congress in June of 1990 still remains unresolved.

The level of material-technical supply to rural areas is declining. The price parity on agricultural and industrial production has been grossly disrupted, which has led to a sharp decline in the financial position of the kolkhozes, sovkhozes and peasant farms, and to the decline of production.

In the five months of the current year, the purchases of meat and milk have declined by 13 percent, while the overall volume of production of food products has declined by seven percent. The decline in the livestock and poultry population evokes particular concern.

The volumes of production in the food and processing industries are growing at an extremely slow rate, and the agricultural products storage base is not being strengthened. The plans for conversion of defense sectors have been undermined. Machines and equipment of processing enterprises are being slowly renovated. The depth of processing and the quality of products remain low.

Social programs are not being fulfilled. Systems of legal and social guarantees to workers in the agro-industrial complex have still not been developed, and the processes of migration of the rural population and degradation of the farm continue.

The situation in the consumer market is catastrophic. The shortage has extended in essence to all goods, prices are rising at an uncontrollable rate, and speculation has taken on unheard of proportions. All this evokes the mass discontent of the people and creates conflict situations. Thus, the USSR Peasants' Union Congress hereby resolves:

1. To approve the proposals presented in the speech of Comrade V. A. Starodubtsev, chairman of the USSR Peasants' Union, and supported by all the union republic delegations, regarding the need to comprehensively develop and strengthen the unity of the peasant movement in the country, and to strengthen the role of the Union's Central Soviet and its republic and local organs, as well as its primary organizations, for the purpose of protecting the political, economic and social interests of the peasants and all the workers in the agro-industrial complex.

The Congress once again confirms that the Peasants' Union is a socio-political organization.

2. To consider as an urgent task the establishment of price parity on agricultural and industrial production, so that with rational management of the economy the level of profitability of all forms of rural economic management, with consideration for the changed economic conditions and the transition to a market, would be no lower than 50-55 percent. This would make it possible to stop the decline in production and prevent bankruptcy of the farms.

3. To support the work performed on the farms for developing production-economic and land relations and affirming various forms of economic management. At the same time, to focus the attention of the USSR and union republic state agencies on the need for constant and continuous state support of agriculture, development and implementation of target programs for increasing the production of grain, fodder, industrial crops, and livestock products, for social development, and for a higher farm living standard.

The reorganization of society and the solution of the food problem are impossible without a radical improvement in the socio-economic position of the peasantry and a change in the entire fate of the village.

4. To consider it a necessity that the construction of improved residential houses, general education schools, children's preschool institutions, facilities of culture, public health, trade and public catering, automobile roads, water supply, power and gas supply on the farm be performed at the expense of the state budget and through centralized provision of material-technical resources.

5. The Congress addresses the following demand to the USSR government and the governments of the union republics:

—to allocate centrally distributed material-technical resources in 1992-1993 for the performance of construction-installation work in the agro-industrial complex in the volume of 58-60 billion rubles per year;

—to introduce special regimens in 1991-1993 for supplying agriculture with material-technical resources, and primarily with fuel-lubricant materials, mineral fertilizers and means of plant protection, sowing and harvesting technology, and timely delivery of these resources to rural consumers in full volume of the agreed-upon annual limits;

—to take specific measures for improving quality and reliability of manufactured agricultural equipment so as to ensure a noticeable increase in the terms of its operation within the near future. To immediately resolve the question of meeting the demands of the agro-industrial complex for spare parts, so as to eliminate equipment idle times caused by their shortage;

—to ensure in 1991 the operational introduction of new production capacities for the output and storage of food products which were not introduced in 1989-1990.

6. To ask the USSR Cabinet of Ministers to accelerate the formation of a full-fledged USSR Ministry of Agriculture and Food Products having its own limits and resources and enjoying a high degree of trust. To create within it an Agrosnab [State Committee for Agricultural Supply], which would be charged with the responsibility for full provision of the agro-industrial complex enterprises with material-technical resources. To categorically prohibit the sale of allocated agricultural equipment and materials through commodity exchanges and other middlemen.

7. For purposes of restoration and continued development of agricultural machine building, to consider it necessary to establish priority for supply of material-raw material resources to enterprises in this sector, as well as priority financing of construction and reconstruction. To review the question of renewing the previously halted construction of 60 plants for the manufacture of agricultural machinery, which are necessary for the completion of integrated mechanization in farming and livestock raising.

Starting in 1992, to establish the state order in the volume of 90-100 percent for enterprises manufacturing farm equipment, machines and equipment for the processing sectors, providing them fully with material resources.

8. The Congress supports the appeal to the USSR President by the general directors of leading enterprises and associations in agricultural machine building regarding the retention of a centralized system of management of these enterprises.

9. In order to increase the level of interest of kolkhozes, sovkhozes and peasant farms in increasing production and selling products to the state in excess of their contracts, it must be considered necessary to pay [for these sales] in freely convertible currency. In this case, no less than 90 percent of the obtained currency should be left with the management in order to develop enterprises for processing products, for producing building materials and consumer goods, and for providing worker incentives.

The USSR Supreme Soviet Presidium, in conjunction with the USSR Ministry of Agriculture and Food Products, must develop a legal basis for the activity of joint enterprises within the APK [agro-industrial complex] system.

10. In the interests of introducing scientific-technical progress, it should be considered expedient to create a unified agro-industrial complex currency fund for implementing all-union programs within the APK.

11. To focus attention of the USSR Cabinet of Ministers on the present discrimination against the peasantry in trade-consumer services and to demand that the volume of average per capita deliveries of consumer goods to the urban and rural population be equalized. To strengthen the material-technical base and to expand the trade-procurement network of consumer cooperatives.

12. To assign the USSR Peasants' Union Central Soviet, in conjunction with the country's economic organs, the task of developing the question of creating a Peasant Bank and a Peasant Insurance Company to serve the entire agrarian sector. These institutions would have a branched network which would encompass all the republics, krays, oblasts and rayons.

13. To express our deep dissatisfaction with the effective order of taxation and the numerous contributions which must be made to various funds, which ultimately has a negative effect on the farm economy.

To consider it necessary to establish a unified tax on land, with consideration for its quality, for kolkhozes, sovkhozes, peasant farms and other land users. Moreover, the amount of the farm's real income must ensure the farm worker's labor wage level to be no lower than that in industry.

The Central Soviet Presidium must submit appropriate proposals to the organs of state power and administration.

14. To consider the actions of the USSR Council of Ministers and the AUCCTU [All-Union Central Council of Trade Unions] on the actual liquidation of the centralized union fund for social insurance of kolkhoz workers to be incorrect, as they have led to the discontinuation of construction and maintenance of inter-kolkhoz health centers.

The Congress appeals to the country's President with a request to restore fairness in this important matter and to assign to the USSR Cabinet of Ministers and the USSR General Conference of Trade Unions, working in conjunction with the kolkhoz Union Soviet, the task of resolving the questions of continued financing of the inter-kolkhoz health centers.

15. The Central Soviet, the peasant, agrarian, and dekhkan republic unions and their local organs must give complete support to the activity of the "Spiritual legacy of the village" association, and to aid it in its work of spiritual rebirth of the farm.

16. The Congress appeals to the workers in agriculture and other sectors of the agro-industrial complex, to the working class, and to all citizens of the country with a request not to hold strikes during the period of stabilization of the situation in the country.

17. To assign the Central Soviet's Presidium, in conjunction with the USSR Ministry of Agriculture and Food Products, the task of developing proposals on indexing income based on the results of the 6 months of the

current year, and to achieve payment of compensation to agricultural enterprises in the volume of the additional expenditures associated with the increase in wholesale prices on industrial products and services.

18. To ask the USSR Cabinet of Ministers and the republic governments to strengthen control over the fulfillment of the adopted resolutions regarding timely recruitment of manpower and equipment from the cities for gathering the harvest.

19. To appeal to the USSR Supreme Soviet with a proposal to convene in the first quarter of 1992 an extraordinary USSR Congress of People's Deputies, at which the question of bringing the country's agrarian sector out of crisis could be reviewed.

20. The Congress appeals to the country's President, the Supreme Soviets of the USSR and the union republics, the USSR Cabinet of Ministers and the republic governments with the request to review all questions concerning the agrarian sector with the participation of the USSR Peasants' Union, the Union Council of Kolkhozes, and their organs.

21. To grant the USSR Peasants' Union Central Soviet extraordinary authority to organize the implementation of the Congress resolutions.

To convene a conciliatory committee within the Central Soviet Presidium for organizing the work on implementing the present demands and requests.

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The Peasants' Congress appeals to all the country's citizens and socio-political movements to do everything necessary in this difficult time in order to consolidate society and reach civil accord for the purpose of stabilizing the situation and directing all efforts toward the solution of the problems currently facing the state.

#### Trade Union Chairman Discusses Cooperation With Peasants' Union

914B0202A Moscow ZEMLYA I LYUDI in Russian  
No 23-24, 14 Jun 91 p 4

[Article by M. Ryzhikov, Chairman of the Federation of Trade Unions of the USSR APK [Agroindustrial Complex] and USSR People's Deputy: "We Have the Same Goals"]

[Text] Today we can no longer count the number of optimistic and truly hopeful decisions that have been made during recent years to improve or further develop the agricultural sector of the country's economy. But now with pain in my heart I must admit that not a single seemingly absolutely correct document has been fully implemented.

The country's agroindustrial complex is still in the midst of calamitous ebbs and tides: as soon as kolkhozes, sovkhozes and other enterprises feel confident, build up

their energy and begin to stand on their own two feet they are immediately chopped down at the root. The results of this approach to the government's food shop is obvious. The country is suffocating from the shortage of food and raw materials, and producers themselves—the hapless and shortchanged peasants—have probably suffered more than anyone else.

The disorder that has arisen in connection with the transition to the market again affects the APK, kolkhoz farmers and sovkhoz workers most of all, yet despite the avalanche of demagoguery they have not lost their sense of conscience and of responsibility for their work and for the fate of the country as a whole. Arable land and farms each day require the work of calloused hands and a kind soul. And peasants, ignoring the multiplying instigators and the ever-new difficulties falling in upon them, feel that they must work, and not strike. But, while paying our dues to the fitting everyday wisdom and perseverance of the peasant, we do not have the right to exploit his long-suffering nature. We must understand that a radical and rapid turn is needed throughout society toward the needs and concerns of the village. If we do not do this now, tomorrow it may simply be too late.

The Federation of Trade Unions of the USSR Agroindustrial Complex as the largest association of workers has come out decisively in support not only of a recognition of but also for the practical implementation of genuine priority development of the agricultural sector in the country's economy. It is impossible to achieve this by means of various improvisations and declarations of intent. The problems of food supply have become so urgent that they are a true test of the competence of action of all power and administrative organs.

The delegates to our trade union congress, which took place at the end of last year, came out decisively in support of accelerating the transformation of the entire social infrastructure of the village by means of budget allocations. After all, in level of medical and consumer-commercial services village residents have lagged behind city residents, and in recent years this gap not only has not narrowed, but is actually widening for a whole series of vitally important services. And if in addition to all this we add the fourfold to sevenfold lags in engineering services for municipal housing, in telephone services for the village, in the extremely weak material base for becoming involved in physical culture and sports, in the health of workers and especially of children, all of the urgency of the situation becomes especially evident.

As of yet we have not been able to stem the mass village to city migration of the best-trained cadres and the able-bodied population from among the youth of many regions.

Many branches of the food and processing industry lag unbelievably on the scientific and technical level, yet it is here in this link that quality decreases and enormous volumes of food that have already been raised perish. In

the sugar, meat, bread-baking, grain-processing, oil and fat, and flax processing industries work conditions are especially difficult and wages are low. It is also impossible to explain the following paradox to people. Average wages in meat and dairy enterprises are 22 percent lower, and in the food and gustatory industry—27 percent lower, than on the average throughout the country's agriculture.

The social sphere has been neglected. For decades people have been standing in line for housing; they cannot place their child into a kindergarten for years. Hopes for conversion and for rapid technical reequipping turned out to be illusions, and prices for equipment manufactured by defense are simply inaccessible to the majority of food enterprises. Specialists and workers of food enterprises are surprised and indignant at the recent collapse of a unified scientific-technical policy on a national level and at the weakening of the already weak delivery of raw materials, equipment and spare parts.

Our Federation of Trade Unions is in solidarity with the position of workers in these branches and will persistently strive to correct the existing problems in the interest of working people. Upon the initiative of trade union committees, in many food enterprises in accordance with collective contracts today there has been a significant expansion of payments in kind using all forms of products produced (mixed feed, meat, flour, groats, sugar, beer, confectionary goods and other products). In the face of a general shortage this measure, as life demonstrates, is of considerable importance.

The federation and local trade-union committees, together with economic organs, are seeking ways to significantly increase wages in agricultural production, especially in the food branches, on the basis of effective growth. The task is to equalize the wage scale for APK workers and for workers in industry within a short period of time.

A subject of great concern and something we are dissatisfied with is the fact that many millions of village workers, and especially women, are still "engaged" to shovels, and carry bags weighing 50-70 kilograms and 40-liter flasks. Three million people are working in a high-dust or highly gasified environment, in low or high temperatures and in a chemically toxic environment. We also cannot but be alarmed that since 1985 energy supplies to agricultural workers have begun to decrease. This is a serious anomaly, and to eliminate it we need the immediate interference of everyone who is not indifferent to the fate of the village and of the country.

Recently the presidium of the USSR APK Federation of Trade Unions, after a thorough study, came to the distressing conclusion that 70 percent of the complex agricultural technology manufactured by domestic plants does not meet safety and hygienic work standards. For example, Kharkov Tractor Plant has been manufacturing a wheel tractor with a hydraulic wheel drive and a comfortable cab for Western farmers, yet our machine

operators have never even seen such a machine. A similar situation exists for a whole series of tractors.

Work safety continues to be an area of concern. Within the branch about 6,000 people die annually on the job and almost 300,000 receive injuries of different degrees; job-related diseases are increasing. Each year 100,000-110,000 workers and kolkhoz farmers become invalids as a result of harmful work conditions. Let us think about these figures—how many broken fates, dashed hopes, unfortunate children and how much human grief are there behind them? I think that the Peasant Congress must state unequivocally that each instance of death or great injury on the job must, on a mandatory basis, be fully compensated economically by the enterprise to the advantage of the injured party or his family members or survivors. We cannot continue to condemn the family to further poverty if the breadwinner dies on the job due to gross violations of regulations and standards for worker safety and due to an irresponsible attitude on the part of people responsible for the assigned task.

The continued development of inter-kolkhoz sanatoriums and the treatment and rest of village workers and their family members must be the subject of special concern. Many difficulties have arisen here due to the fact that the cost of passes has increased fourfold and more, that transportation rates have risen considerably and that there is a shortage of resources deducted into the social budget for this purpose. Our trade union central committees in union republics, together with other interested organs, governments and the Supreme Soviet, must deal in the very near future with the status of development of sanatorium-spa services for APK workers and must do everything possible in order not to worsen this important aspect of the social sphere in the lives of peasants.

The transition to market relations has made anemic the already weak base of village culture and sports. In connection with a sharp rise in prices for material-technical supplies and increased wages of workers, the trade union of APK workers was forced to halt the financing of these facilities, and many enterprises are also in no condition to support them. For example, over 1,200 children's and youth sports' schools were maintained on funds from social insurance and the trade union budget, but due to the absence of resources they may simply be closed. Local soviets are afraid to begin financing them or are in no hurry to do so. Ten thousand clubs and houses of culture, 12,000 movie houses and almost 4,000 libraries face the same problem. All plans to improve the health of village children are collapsing. Pioneer camps, including of the sanatorium type, and work and rest camps can hardly be supplied now with dishes, linens, furniture and even repair materials.

In our opinion, the Congress of the Peasants' Union must establish specific measures to help veterans of war and labor, who unfortunately live under very difficult circumstances in many enterprises. Can a society develop normally in which the old people, the generation

that bore the burden of the difficult war and post-war years, is forgotten? The beneficial fund, "Veteran," which was created on the initiative of the CPSU Central Committee newspaper SELSKAYA ZHIZN, television, the magazine SELSKAYA NOV and the APK Federation of Trade Unions, has become the first island of hope for a change within all of us toward the needs and concerns of veterans. We must do everything possible to build boarding homes for aged peasants in every kolkhoz, sovkhoz or on an inter-enterprise basis within the next 2-3 years. This is our duty to them as their children.

The Peasants' Union and the APK Federation of Trade Unions have the same goals and tasks—to protect the interests of the peasants. I am sure that mutual support and help in this will mean not just the unification but the multiplication of our forces. One of the first specific problems that we must join our efforts to solve is to prevent the squandering of the social insurance budget. This year alone village labor collectives contributed about 6 billion rubles to it. But the council of ministers, operating within the framework of old habits, transferred these funds into the All-Union Confederation of Trade Unions to cover expenditures in other branches. Numerous requests by the APK Federation of Trade Unions to leave these funds completely within our branch have not yielded results. Neither the Peasants' Union nor the Federation can allow peasants to be robbed, nor can it patch holes on their account. I feel that the congress will join our demand that the USSR Council of Ministers give us a clear response in this regard.

Our country is passing through a complicated period in its history, and the essence of our joint efforts with the USSR Peasants' Union is to help peasants to withstand these circumstances and to protect them from subjectivism and underestimation in society.

## REGIONAL DEVELOPMENT

### Belorussia's Dubko on Agrarian Union Role

Interview on Expectation of Peasant Congress  
914B0194A Moscow SELSKAYA ZHIZN in Russian  
12 Jun 91 p 3

[Interview with A.I. Dubko, chairman of the Union of Agrarians of Belorussia and member of the Presidium of the Central Council of the USSR Peasant Union, by SELSKAYA ZHIZN correspondent V. Legankov, in Belorussia, date not given: "We Will Not Leave Them Defenseless"]

[Text]

[Legankov] Aleksandr Iosifovich! Is the fate of a shooting star in store for the Peasant Union? What use is it in rural areas? Is it worthwhile to travel to the congress?

[Dubko] I believe that we should definitely travel to this congress. The Peasant Union is a mighty and real force which is capable of making its presence known out loud and making any power reckon with it. It came along as a forced self-defense measure by the peasants because traditional forms of power structures turned out to be insufficiently effective.

Life shows that in the absence of protection, ultimate ruin is in store for rural areas. This is already visible, judging by the shelves of grocery stores. The Rassvet Kolkhoz [Collective Farm] imeni K.P. Orlovskiy in Mogilev Oblast, one of the best in the entire country, is reducing its herd and cutting pork production by 50 percent, and that of beef and milk by 30 percent. This trend is being registered in the country as a whole as well. Output is declining, and the financial standing of agricultural enterprises is deteriorating. Last year, the agriculture of the country as a whole turned a profit of 58 billion rubles [R] by 1 July, whereas this year a loss is expected in the first half of the year. The situation is equally catastrophic in the once relatively strong and stable Belorussian rural areas. Unless emergency measures are taken, the existing situation will bring about the ruin of more than 60 percent of agricultural enterprises in the republic. The rest of the enterprises will be in a position to merely engage in simple reproduction.

Therefore, the Peasant Union is not in danger of having nothing to do. If for no other reason, this is why it cannot die. After all, it is charged with the task of protecting the rural areas.

[Legankov] What have you secured this year for the countryside? Judging by the realities of life, for example, the facts cited above, the situation in the rural areas is approaching critical.

[Dubko] I, for one, was altogether depressed by the results of last year, and especially my work in the USSR Supreme Soviet. After all, the situation in the rural areas could have been considerably improved by means of the tax policy alone. Actually, it turned out that, having made promises to the congress of the Peasant Union, the government proposed an extortionist tax policy which is ruinous for the rural areas. Agrarian deputies were simply outraged. I personally spoke out eight times asking them not to do this; otherwise the rural areas would be finished. I pointed out, using my own Kolkhoz-Combine Progress in Grodzenskiy Rayon as an example, that out of R17 million in net profits, R12.9 million, or even more, will be taken away from it under the new taxation law. Nothing worked. The stance and objectives of the government, its Ministry of Finance, and the Plan and Budget Commission of the Supreme Soviet were to patch up the financial holes in the budget at the expense of the rural areas. This gangsterlike law on taxation was adopted, exacerbating all rural woes. As a result, our kolkhoz will now contribute to the budget 45 kopeks from each ruble of wages. Grodzenskiy Rayon, an economic powerhouse, has already been left without funds. As of now, only five farms have money of their own. This

is to say nothing about medium-grade performers and poor regions: How are they to get by?

I believe that at its final stage the peasant congress should state primarily the fact that the government and its officials, after making promises to the rural areas and consistently failing to keep them, have brought about the ruin of the rural areas. We will also level very serious charges against the new prime minister, V.S. Pavlov. After all, he, at the time holding the position of minister of finance, was the author of this taxation policy. The Cabinet of Ministers is aware of this, and is preparing for this discussion. In one place taxes were reduced in part, somewhere else the price for mixed feed was brought down somewhat. However, all of this is not even half-hearted, but merely aimed at calming the rural areas and muffling their voice. This is also the case with the well-advertised resolution of the USSR Cabinet of Ministers dated 31 May.

I would not venture a guess as to how the congress will end. The peasant force may be likened to a bear that is still asleep. We have warned many times already: Do not wake up the beast. So far the rural areas are not into rallies and strikes. However, it is coming close to this, and the first symptoms are already apparent.

The Peasant Union itself should develop its own positive counterproposals with regard to that same tax. One tax should be established—on land, on natural resources. Perhaps some coefficients reflecting the supply of labor should be introduced, and that is it, instead of what we have now—the turnover tax, the profit tax, the export and import tax, and the auxiliary industries tax—in short, the tax on initiative. The words suggest otherwise, but actually the administrative-command system does not want to let go of the kolkhozes.

To be sure, certain apprehensions arise that our union may turn into a similar bureaucratic organization. The completion of the proceedings of its founding congress is the most significant political event for the rural areas. Meanwhile, we have not received for discussion in the republics any specific proposals from the central soviet or drafts of future final documents. In essence, we are going to Moscow empty-handed.

I think that our congress should think through the idea of creating a joint political bloc of the USSR Peasant Union and the CPSU on issues of agrarian policy, and develop and sign an appropriate agreement, an alliance, between them. After all, our goals are actually the same, our tasks are common. Therefore, in the environment of the existing multiparty system, forces need to be consolidated.

#### Calls for Union Act for Peasants

914B0194B Moscow *ZEMLYA I LYUDI* in Russian  
No 23-24, 14 Jun 91 pp 8-9

[Article by A. Dubko, chairman of the Union of Agrarians of Belorussia: "To Vigorously Influence Politics and Economics"]

[Text] The use of new prices for products used by agriculture, tariffs and price lists for work and services performed, and construction cost estimates and price schedules, effective January 1991, has considerably increased the outlays of kolkhozes and sovkhozes, which have not been compensated by new procurement prices. In Belorussia alone, uncompensated outlays come to more than R4 billion. This situation will bring about an abrupt drop in agricultural production. Based on their performance during the year, a majority of kolkhozes and sovkhozes will become unprofitable, and will lose sources of financing for not only expanded but also simple reproduction.

There are many unsolved issues in the social development of the rural areas. The availability of housing, pre-school facilities for children, schools, polyclinics, shops, gas mains, and roads in the rural areas is three to five times worse than in cities and workers' settlements.

The problems of rural areas have not yet become a priority in the operation of state and economic organs. Meanwhile, the output of the agro-industrial complex comes to 70 percent of the turnover of goods in the country; it accounts for one-third of the gross national product.

The rural working people understand full well how serious the situation in the agrarian sector is. They see that the interests of the sector, and thus of our entire society, need to be advocated. This has largely been the reason for creating the Union of Agrarians of Belorussia.

In July of last year, the Congress of Belorussian SSR [Soviet Socialist Republic] Agrarians was held, in which 600 delegates participated. They adopted a program and a statute, elected the council of the union consisting of 160 people and the chairman of the union, and confirmed a package of demands on the Supreme Soviet and the government of the republic.

The union became a cofounder of the republic newspaper *BELORUSSKAYA NIVA* and the magazine *KHOZYAIN*, with a view to vigorously influencing the formation of public opinion and covering the process of the emergence of the new public organization.

At present the union numbers more than 25,000 people. More than R150,000 in membership dues have been deposited in its current account.

Organizational conferences have been held, and leading organs of the union have been elected, in Brest, Vitebsk, Gomel, Grodno, and Minsk Oblasts.

The influence of the new organization is already beginning to show in the state of affairs in the economy of the agrarian sector of Belorussia. We have succeeded getting the leadership of the republic to meet the demand to write off R1.4 billion in debts, and in resolving the issue of paying a 50-percent bonus on top of prices for exceeding the average level of sales achieved in the 11th Five-Year Plan, in an amount exceeding R600,000. The

issue of depositing into the accounts of kolkhozes a share of partial contributions by kolkhozes to the set-up and operation of intra-kolkhoz construction organizations (R162 million rubles) has been considered.

On the initiative of the Union of Agrarians and the Ministry of Agriculture and Foodstuffs, the Belorussian SSR Supreme Soviet has adopted a number of laws which have laid the foundation for the development of individual farming, leasing relations, and the priority sociocultural and economic development of the rural areas and the agro-industrial complex on the whole. At present, the council of the union is seeking to resolve legislatively the issue of maintaining price parity for the output of agriculture.

The Union of Agrarians and the Council of Kolkhozes have developed a mechanism of economic protection for the producers of agricultural output. A special commission has been formed to discuss this with the leadership of the Supreme Soviet and the Belorussian SSR Council of Ministers and to set forth specific measures for comprehensively resolving the issues of the agro-industrial complex.

However, these are merely the first steps of the union. These steps will be more confident if the USSR Peasant Union and the republic unions participate more vigorously in developing agrarian policy and in ensuring the parity of the agro-industrial complex with other sectors of the national economy. This is why it is necessary to nominate union members in elections to state organs of power at all levels, and to ensure that they are elected. Those elected to the Supreme Soviets of the Union and the republics and local soviets will be able to create groups of agrarians, and to persistently advocate the interests of the peasantry.

The peasants are entitled to expect that their union will act vigorously against those who hamper the development of the rural areas, and will prevent the making of decisions on agrarian issues by soviet and economic organs without consulting the union. Experience indicates that compulsory participation by the peasant community in developing a policy of prices for the agricultural products manufactured, and for the means of production delivered to the rural areas by other sectors of the national economy, is necessary. I think that it is feasible to select management cadres of the agro-industrial complex taking into account the opinion of the Peasant Unions.

#### **Ukrainian Peasant Leader on Union Role, Relations to Other Bodies**

914B0196A Moscow *ZEMLYA I LYUDI* in Russian  
No 23-24, 14 Jun 91 p 3

[Interview with I.A. Mozgovoy, chairman of the Peasant Union of the Ukraine, by *ZEMLYA I LYUDI* correspondent S. Luzgan: "Defending the Interests of Agrarians"]

[Text] In September of last year, the republic Peasant Union was created in the Ukraine. Chairman of the union I. Mozgovoy responds to questions from our correspondent S. Luzgan concerning the activities of the new public organization, its objectives and tasks.

[Luzgan] Ivan Alekseyevich, would you please inform the readers of our weekly regarding what the Peasant Union of the Ukraine, which you head, is all about, and what its tasks and objectives are?

[Mozgovoy] The Peasant Union of the Ukraine is a mass, independent, self-managing, sociopolitical organization. It was created by a founding congress which adopted the statutes of the union, registered by the Ukrainian SSR [Soviet Socialist Republic] Ministry of Justice. So there is every legal basis for our organization to participate in the sociopolitical life of the republic.

The Peasant Union of the Ukraine (KSU) unites, on a voluntary basis, kolkhoz members, workers of sovkhozes, interfarm facilities, and other collective entities, workers of processing and food-industry enterprises of the agroindustrial complex, farmers and lessees, citizens engaging in collective fruit and vegetable gardening, rural teachers, physicians, and employees of culture and education, that is, all those whose lives and work are associated with rural areas. Instructors and college students, students in agricultural educational establishments, scientists, and cultural personalities—all who subscribe to our objectives and tasks and are prepared to participate in attaining them—also become members of our union.

The objectives and tasks of the Peasant Union of the Ukraine, as defined in its statutes, are to express and defend the interests of peasants, of all working agrarians, and to ensure priority treatment for the social development of the rural areas and the agroindustrial complex in the national economy of the republic, in deeds rather than words. The task of the union (whose motto is: "As long as there is the countryside there will be a Ukraine") is to participate vigorously in developing and implementing a new agrarian policy which would promote the fastest possible creation of normal conditions for the work and life of rural working people, would accord them legal rights to chose forms of property and economic operations for themselves, and to freely dispose of the output produced and profits from its sales.

In many countries, not a single legislative act on agrarian issues is adopted without coordination with an organization expressing the interests of peasants. We hope that in the future the republic parliament will take into account the opinion of our peasant union when it adopts laws which affect the interests of agrarians. The union itself, which has been endowed with legislative initiative, tries to act jointly with the appropriate commissions of the Ukrainian SSR Supreme Soviet. In addition, in the future (I mean the forthcoming elections of people's deputies) our union will delegate its best representatives to the organs of legislative power at all levels.

[Luzgan] What progress has been made in the establishment of this new socio-political organization?

[Mozgovoy] By now, 20 oblast and more than 300 rayon formations of the Peasant Union operate in the republic. Of course, primary cells are our main objective. Their overall number has come to 6,000, and they unite about 1.5 million people. We are gratified that primary cells have been created and are in operation even in locations where there are no oblast or rayon organs of our union due to various circumstances. We undertake efforts to induce cooperative members to join our union. Employees of the consumer cooperatives which service the rural population also need to be defended against encroachments by zealous administrators: Having not invested, as the saying goes, one red cent in the development of the consumer cooperatives, the state unscrupulously confiscates from cooperative members more than half of the profits they generate. There are other unions and associations which wish to become collective members of our Peasant Union. So our social base is large.

Nonetheless, the establishment and assertion of our organization does not proceed smoothly. At present, various parties and movements are competing for their place in the sun. Some of them were not exactly happy about the arrival of the Peasant Union on the republic's sociopolitical arena, and some gave it an altogether hostile reception. Unfortunately, even in the supreme echelons of power in the Ukraine, quite a few people have not grasped the indisputable fact that agrarians are pooling their efforts in order to defend and advocate their interests: After all, anyone who so desired has encroached on the peasants for many years.

It is very significant that the Peasant Union is independent of everybody. This is precisely what makes it possible for the union to act as an active defender of the peasantry. This activity is intensely disliked by those who are used to giving commands. But this has to be reckoned with.

[Luzgan] We may hear often that the republic Council of Kolkhozes has become unnecessary now that the Peasant Union has been created, that these structures which operate in parallel interfere with each other, or even are mutually exclusive. What is your opinion on this subject?

[Mozgovoy] Since the Peasant Union unites all those who work on the land, including kolkhoz members, it is natural that the Council of Kolkhozes, has also, as they say, rallied to our cause. However, those who maintain that the Council of Kolkhozes and the Peasant Union interfere with each other are not right. On the contrary, they have doubled their power now that they act in unison.

I will say more: The Council of Kolkhozes of the Ukraine not only became the initiator of the creation of the Peasant Union, but also shouldered the main burden of preparing our founding congress. At present, it helps the

establishment of this new organization in every possible way. Incidentally, D.K. Motornyy, leader of the Council of Kolkhozes of the Ukraine, was chairman of the organizational committee for preparing the founding congress.

Life will decide what happens next. At any rate, it is up to the republic congress of kolkhoz members to decide whether the Council of Kolkhozes is to be or not to be.

[Luzgan] A folk maxim says that a good beginning is half the endeavor. What have been the first steps of the Peasant Union of the Ukraine toward practically achieving its objectives and accomplishing its tasks?

[Mozgovoy] There are obvious and, so to say, hidden results of the measures we are undertaking. For example, not so long ago the republic parliament adopted the Law on the Priority Development of Rural Areas and the Agroindustrial Complex Within the National Economy of the Ukraine. We are entitled to believe that we have also contributed to this endeavor. Figuratively speaking, the Founding Congress of the Peasant Union, at which the demand to address the woes of the rural areas and the agroindustrial complex was aired loud and clear, prompted the deputies to adopt this historic law.

At the insistence of our union, the unlawful decision to pay 600 rubles [R] annually to the budget for every rural specialist was abolished. The farms of the republic won R240 million overall.

We also raised the issue of abolishing mandatory insurance in the rural areas with the republic government. It comes to absurd extremes: Farms have to insure reinforced concrete structures against fires, and pay insurance premiums for that. If we ensure the repeal of these compulsory measures, the kolkhozes and sovkhozes will win additional hundreds of millions.

At one point, interfarm enterprises and entire associations were created with the funds of kolkhozes. The Ukrmezhkolkhozstroy [expansion unknown] was one of these formations. In 1986, this association was "merged" with the Ukragrostroy which, unfortunately, frequently ignores the interests of its founders, despite being called a state-cooperative entity.

In late March, a united plenum of the Peasant Union and the Council of Kolkhozes of the Ukraine discussed the status of construction in rural areas. Participants in the plenum found the operation of the state-cooperative association for agroindustrial construction, Ukragrostroy, to be unsatisfactory, and gave a vote of no confidence to its chairman, Ukrainian SSR [Soviet Socialist Republic] People's Deputy V.I. Cherep.

They were fully justified in making this harsh decision. Ukragrostroy has virtually evaded the control of contributing farms. Instead of enhancing the volume of construction in rural areas, the industry's management has frequently sought profitable orders "on the side." In the years of the 12th Five-Year Plan, Ukragrostroy reduced

the volume of work on republic kolkhozes by R280 million. At the same time, the increment of construction for departments not associated with agriculture came to R100 million. Under the circumstances, farms have been forced to shoulder the entire burden of construction. In the last five years, the development of the rural construction industry has slowed down considerably; fixed assets have been renewed at an extremely slow pace. R3 billion are "frozen" in unfinished construction on the kolkhozes alone.

Participants in the plenum were also outraged because V.I. Cherep, manager of Ukragrostroy and member of the republic Council of Kolkhozes, did not even show up at a meeting at which he was to make a report.

We should immediately return to previous structures, inter-kolkhoz construction organizations—such was the unanimous decision of the plenum. On this basis, the Ukrainian SSR Council of Kolkhozes approached the government of the republic with a request to repeal the decision on merging interkolkhoz construction organizations with the state enterprises of the former Ukrainian SSR Ministry for Construction in Rural Areas.

Incidentally, I will note that most of our proposals, sent by the Peasant Union and the Council of Kolkhozes of the Ukraine to the republic's government and parliament, have been supported. This makes us hopeful.

[Luzgan] What was the reason for the appeal by the Peasant Union to the Supreme Soviet and the government, to all working people of the republic?

[Mozgovoy] First of all, the aggravation of the foodstuffs problem in our country, including in our republic. The overall economic crisis is affecting the development of the agrarian sector more and more noticeably. Last year, a decline in the output and procurement of the products of animal husbandry was allowed to occur in the Ukraine. This trend persists. In the first quarter of this year, the herd of livestock declined, and its productivity dropped simultaneously. Resolute measures are necessary to arrest this catastrophic trend.

The planting campaign is over; the procurement of fodder and harvesting lie ahead. Grain farmers have their hands full. Shortages of spare parts for machinery and refinery products are a burden.

This is alarming. The Peasant Union addressed to all who have to do with the land, an appeal to do everything possible in order to perform spring planting on time and with good quality on cooperative lands, on leased and farmers' fields, on auxiliary plots, and on gardening plots. However, as is known, the concerns of a peasant do not end with planting. Now we must prepare well for the harvest, and prevent a segment of the crop grown from being lost, as happened last year.

As I have already said, the Law on the Priority Development of the Agrarian Sector has been passed in the Ukraine. The peasants waited for it for a long time.

However, the trouble now is that the law almost does not apply. There were no equal relations between the cities and the rural areas before, and there are none now. Whatever they give to the rural areas with one hand, they take away with two.

Now that the country is proceeding toward a market economy, the peasants are not protected against monopolism and the tyranny of supply officials. Funds continue to be siphoned away from rural areas instead of giving them genuine financial support.

Material and technical supplies to the peasants have deteriorated abruptly. Interest rates on loans have increased several-fold. An absolutely unjustified gap exists between low procurement prices for agricultural products and high prices for industrial products. It is impossible for rural areas to survive under these circumstances. The foodstuffs problem will not be solved given this kind of, so to say, state racketeering with regard to agrarians.

This is precisely why the Peasant Union of the Ukraine demanded that the republic government immediately index industrial and agricultural products with a view to compensating the rural areas for expenditures in conjunction with a sharp increase in wholesale prices for material and technical resources and tariffs for services. The most unexpected consequences may come about unless this is done. After all, there is a limit to the patience of the peasants as well.

We proposed the signing of an agreement between, on the one hand, authorized representatives of the republic government, and on the other hand, producers of output as represented by the State Agroindustrial Committee and the Peasant Union of the Ukraine, envisaging the sale of products and the corresponding provision of material and technical resources to the agroindustrial complex. One side should act as a guarantor of the rural areas receiving necessary resources in conjunction with the products ordered, and the other as a guarantor of the products ordered being sold to the state.

However, state requisitions should not exceed 70 to 80 percent of the volume of produced marketable products. What to do with the rest of the output should be up to those who produce it. As we see it, this approach will facilitate an increase in the volume of production, which is the main prerequisite for saturating shops with foodstuffs.

We are convinced that the rural areas will accomplish the tasks our society has set for them only on the condition that the working class genuinely helps them. At issue is pooling the efforts of the cities and the rural areas on a formidable economic basis. If the worker put his mighty shoulder to the heavy burden of the peasant, it would not be necessary to purchase foodstuffs abroad.

[Luzgan] Ivan Alekseyevich, your narration has mapped out the circle of the main concerns of the Peasant Union of the Ukraine, and has indicated the initial but resolute

steps it has taken in the interest of the rural areas and the peasantry. Of these concerns, which task do you consider to be the principal and most urgent?

[Mozgovoy] To my mind, finally overcoming the utilitarian approach of our society to the rural areas and the peasants is the main point on which everything, or almost everything, hinges. In the absence of this, no laws will work, and all measures taken will turn out to be only good intentions, with which, as is known, the road to hell is paved.

In order to feed the country, we need first of all to save the rural areas, defend the peasants, and give them attention. The first thing that needs to be done is to put an end to experiments with the rural areas. At the very least at present, when so much is said about democracy, the peasants ought to be asked about what concerns them, and how they want to work and live.

We will save the rural areas and feed the country if the state (pardon my harsh statement) stops robbing the rural areas, and our entire society subscribes to the truth, which is that the peasants are not only providers, but also People. Along with all people, they want to work and live under normal conditions, to have a modern set of machines and equipment which make their work easier, to have housing with amenities such as gas and running water, they want to walk and drive on reliable roads, be treated by skilled physicians, to have their children taught by knowledgeable teachers, and to have substantive recreation, that is, to partake in the benefits of civilization.

[Luzgan] Ivan Alekseyevich, what do you expect from the second stage of the Founding Congress of the USSR Peasant Union?

[Mozgovoy] I believe that the delegates to the congress should make every effort to prevent a split in the peasantry. It is no secret that there are people in the country who strive to pit personal farms against kolkhozes and sovkhozes. They believe that private farming is the only way out of the food crisis, forgetting in the process that the existing forms of economic operations have far from exhausted their potential. These structures ought not to be destroyed. We should think about how to transform them in keeping with the demands of the time, and we should give them complete independence and a reliable material and technical foundation. Various forms of economic operations in the agrarian sector share a multitude of common tasks and similar problems. Only the unity of the peasantry will make it possible to solve them.

It is expected that a long-term agreement between the USSR Peasant Union, which expresses the interests of the agrarians, and the government of the country will be worked out at the congress on the issues of agricultural production and material and technical support for it. This is serious work on which a lot in the future life of the rural areas, as well as the entire country depends.

## Difficulties Stem From Pricing Imbalances in Ukraine

### Call for Fairer Price Balance

914B0195A Moscow ZEMLYA I LYUDI in Russian  
No 23-24, 14 Jun 91 p 13

[Article by Ya. Belousko, candidate of economic sciences, Kiev: "Price Imbalance—the Scourge of the Village Economy"]

[Text] The reconstruction of the price mechanism continues in the country. Meanwhile, the imbalance in exchange between agriculture and its service branches not only has not been eliminated, but is tending to increase. Let us examine this using the Ukraine as an example.

As of 1 January 1991 the difference between inflationary losses and anti-inflation compensation comprised minus 458.6 million rubles in the republic's agriculture as a whole. This represents uncompensated losses due to the price changes that were instituted in 1989-1990. In relation to monetary earnings in terms of state orders for agricultural products last year this total equals 1.2 percent.

However, the processes of improving the economic mechanism and of bringing it closer to the principles of market economics are continuing. After the introduction of procurement prices the republic has confirmed new, higher wholesale price coefficient for building materials and tariffs for the shipment of freight by truck. Ukrselkhozhimiya [Ukrainian agricultural chemical association] increases its rates repeatedly. Compensation to kolkhoz farmers and sovkhoz workers as a result of increased retail prices will equal about 3.4 billion rubles. Moreover, in accordance with the idea of the development of the agroindustrial complex until the year 2005, in order to secure an average annual pace of production growth of 4 percent the profit norm should be no less than 15 percent of the cost of production capital. In connection with this, uncompensated inflationary losses in agriculture within the Ukrainian SSR increased to 5.7 billion rubles three months after the introduction of the new prices. Their proportion in monetary earnings in terms of state orders equals 14.4 percent. The imbalance is evident and is replete with dangerous consequences.

The intensity of changes in wholesale prices and rates and other price-forming factors is not decreasing. Already in the near future, for example, it is planned to introduce deductions for medical services and payments for land, water, ecology and so forth. In addition, as an analysis shows, industrial enterprises are not limiting themselves by the obligation to strictly adhere to fixed prices and rates. Thus, by the end of this year the imbalance in agriculture may reach catastrophic proportions. Under these conditions, leaseholders, cooperative members and peasant and farmer enterprises will suffer especially.

This is not the final "advantage" of the new prices and of the recently-confirmed price-formation system. A partial or complete rejection of zonal differentiation in procurement prices without the use of a rent-distribution mechanism has resulted in extreme polarization of income in a territorial cross-section of enterprises. Calculations show that oblasts and regions that previously belonged to the first price zones have a positive price balance, and those that belonged to the last—a negative balance.

Can the situation be altered in any way? Yes. The following must be done to institute changes:

—The price balance in agriculture must be calculated at least on a quarterly basis until the practical implementation of a rent distribution mechanism occurs. On this basis, monetary earnings received by goods producers from the sale of agricultural products to the state must be indexed, , and payment of the corresponding compensation to them must be made. After the introduction of the mechanism, price balances will be determined only in republic agriculture as a whole.

—The experience of calculating price balances in agriculture demonstrates that direct price increases for industrial goods used in agriculture per ruble, for example, are the basis for the need to be reimbursed about two rubles. At the same time, under conditions of a complete deficit and the absence of competition in industrial enterprises, emphasis is placed on monopolistically-high prices. With an absence of price controls on the part of the government this opens up a wide road for inflationary processes during the period of transition to the market economy. This is why we need an effective mechanism to keep prices down and a complex of measures to influence the market.

For example, a machine building plant has raised wholesale prices for tractors consciously and unjustifiably. The reaction of the state organs of price regulation should be to introduce a tax on super-profits, to increase credit interest or even to refuse to issue credit. If increased prices are justified due to high production expenses, reverse measures are taken: taxes on profits are decreased and incentives credit (or even direct financing) and opportunities to assimilate progressive technologies are provided. With time as a result of demonopolization of the economy and of the appearance of many goods producers, a portion of the anti-inflation function will be transferred to competition. At this point prices will be created in accordance with the principle of supply and demand.

### Procurement, Wholesale Prices

914B0195B Moscow SELSKAYA ZHIZN in Russian  
26 Jun 91 p 2

[Article by N. Pugovitsa, Ukrainian SSR: "In the Interest of the Peasantry"]

[Text] The Ukrainian village, like everywhere, finds itself in a difficult financial situation. The reason for this

is well-known: procurement prices for agricultural products are much lower than wholesale prices for all forms of material-technical resources coming into the village. Even rich kolkhozes and sovkhozes have found themselves among the unprofitable or barely-profitable enterprises.

The Ukrainian government is seeking a solution to the existing situation. During the last year alone over 10 billion rubles of debts were written off for the agroindustrial complex, and today—714 million rubles. These resources were utilized for the building of objects to be used for social-cultural and consumer purposes and were attributed to kolkhozes and sovkhozes. The village population has been almost fully compensated for expenditures related to increased retail prices, comprising five billion rubles. Possibilities have been found to direct over 400 million rubles to increase procurement prices for livestock products produced in forested and mountain regions. Moreover, resources have been redistributed between the processing industry and grain-sowing enterprises. Kolkhozes and sovkhozes have been partially reimbursed for expenditures related to the procurement of meat and milk from the population.

Here is another thing. The government has found an opportunity to supply the village with the full quantity of all material resources except timber by using internal reserves and by undersupplying other consumers. A great deal of gasification work has been completed. In particular, schedules for the delivery of steel pipes have been confirmed with plants and 27 machine-building enterprises in the republic have been activated for the production of fittings and instruments.

But, as emphasized by UkrSSR Prime Minister Vitold Pavlovich Fokin on Ukrainian television, all of this is not enough. This is why the council of ministers passed a resolution on a complex of extraordinary measures to finance village improvements. Supplements to procurement prices for agricultural products sold to meet state orders have been established. Prices for grain crops are being increased by 43 percent. Prices have also been increased for sunflowers, sugar beets and livestock products. All of these supplements will cost the republic almost 9 billion rubles.

On the basis of the USSR Presidential Decree, as of 1 July enterprises and organizations of the agroindustrial complex and farmer enterprises are free of payments into the non-budget fund for economic stabilization, and as of 1 June—from payments of a five-percent tax from the sale of material-technical resources utilized for non-production needs as well as for the acquisition of fixed capital. Moreover, as of 15 June prices for mixed feed will be decreased by 30 percent. As a result the government is taking upon itself expenditures totalling almost 10.5 billion rubles.

The measures we are discussing will undoubtedly have a positive effect on improving the republic's agricultural economy.

## POST-PROCUREMENT PROCESSING

### Shortfalls Lead to Calls for Reinstatement of State Procurement

914B0185A Moscow SELSKAYA ZHIZN in Russian  
19 June 91 p 2

[Article by L. Trisyatskiy, doctor of technical sciences and professor at Moscow Imeni Timiryazeva Academy of Agriculture, and L. Kochetkov, candidate of economic sciences and senior research associate in the All-Union Institute of Correspondence Studies of Food Industry, under the rubric "Management: Practice and Problems": "The Country May Be Left Without Bread Unless the System of Grain Procurement Is Urgently Restored"]

[Text] Lately, we hear increasingly often that the country is on the verge of an economic catastrophe and that it is irreversibly sliding towards the abyss. Leaving aside emotional excesses and open panicking, one has to admit that there is a substantial share of truth in these forecasts. The most serious danger is the disintegration of the centralized system of the national bread supply that is happening right before our eyes.

As is known, the state bread monopoly was introduced in our country in August 1917 by the Provisional Government of Russia. Later, already in the NEP [New Economic Plan] period, the joint-stock society Khlebo-product started to operate, which, in turn, gave way to the USSR Council of People's Commissars Committee on Procurements. The Union Government has always been the owner and the distributor of state grain products resources.

Even with meager grain resources, their centralized use ensured an uninterrupted national supply of bread. This was demonstrated especially convincingly during the Great Patriotic War. And, vice versa, now that the centralization has been weakened in this area as well, even with last year's high volume crop, there are interruptions in the supply of bread to cities and settlements. There is nobody to be held responsible—the central organ has been liquidated, while republic and local ones, which are now charged with ensuring food supply of the population, are habitually blaming it on the center. For fairness sake, it should be said that such tasks are beyond the scope of what they can successfully handle. Take, for instance, the Baltic republics: How could they produce normal flour from their low-gluten grain that is usable perhaps only for fodder! When bread resources were centralized, they (and not only they) were receiving strong grain in planned order. Now that this "planning" has been practically done away with (truly, throwing baby away with the bath water), nongrain regions have to find their own "solutions." And how should tens of millions tons of imported grain now be distributed among the Union republics?

Because of the deformity in the material and technical supply of economic entities, grain (as well as meat, by the way) has become a means of payment, a going currency.

What is even worse, there are attempts to use it as a "weapon" in interethnic conflicts by cutting off bread supply lines to the besieged cities and settlements. Is this why grain is grown and processed?

During the last 10 years, through the efforts of the entire country (it is something to be proud of) our flour-grinding industry has been modernized; billions of rubles have been spent to build hundreds of enterprises equipped with high-yield equipment. These first-class flour-grinding factories have been built in various regions of Russia, in the Baltics, Transcaucasus, Central Asia, Kazakhstan, Ukraine, and Moldova. It was a common-cause construction, without asking questions about national borders. Now that this truly great undertaking has been accomplished, the grain itself suddenly got dispersed, spread out into nationalist quarters. Many enterprises are idle because of the lack of grain.

The country that has just grown a record grain crop may be facing a famine; this should be said honestly. Is this not an example of common sense and the well-being—and life itself—of the people being sacrificed for the sake of ambitions and wrongly interpreted sovereignty! Unlike workers in some branches, millers and bakers (as well as grain producers) are busy not with rallies and strikes, but with production trouble-shooting and with the search for raw materials that will permit them to feed the people. They should be honored and lauded for this, but, alas, their search is increasingly often fruitless.

The harsh reality of today is that out of almost 240 million tons of grain harvested last year, only 68 million tons had been delivered into state stocks. In 1978, at this level of harvest, 96 million tons had been purchased abroad. At the same time, our bread needs have grown, oh, so much since then!

As we can see, decentralization in the national supply of bread leads to the disintegration of the entire bread industry. A convincing evidence of that is the fate of the currently dying mixed fodder industry.

For several years now, the nonstop reorganization of the agro-industrial complex' administrative organs has been underway. Many mistakes have been made in the process. During the last stages of the metamorphosis it turned out that an entire central link in the system of grain and fodder supply—the USSR Ministry of Grain Products had been lost in the shuffle.

As is known, the USSR prime minister, offering arguments for the necessity of preserving a number of Union ministries, emphasized that there are branches where

enterprises function in a special regime, where centralization and redistribution of resources are needed for technological reasons—a kind of controller service. Unfortunately, he did not include enterprises of grain industry in this list. Here, however, a centralized supply of raw materials is necessitated by the technology of grain processing itself, and control arrangement is extremely necessary.

True, it has now been decided to create a USSR State Committee on Procurement of Food Resources; however, the most important—from our point of view—structural units on centralized grain and fodder supply are lacking in the structure; without them, its functions seem to hang in the air. If such units are to be created, it is necessary to restore the previously existing order of forming centralized state grain resources through state orders, agreements, and contracts, without which they cannot function normally.

The Russian Federation and the Ukraine are trying to centralize grain and fodder supply inside the republics. This is good, but it does not solve the problem on the national scale. To stop the disintegration of the national grain supply, in our opinion, the Union treaty should stipulate that the sovereign republics delegate to the Union the function of centralization on a national scale of grain and fodder resources and their rational use. Unitary economic space needs unitary grain market. In the countries that produce a lot of saleable grain, the government, as a rule, controls the procurement and use of grain through various committees, commissions, credits, balances, strategic and emergency reserves.

It would be a great misconception to believe that with the transition to a market economy everything will automatically get better and all kinds of goods, including grain products, will appear by themselves. The market only provides an opportunity, which has to be realized through an increase in production of good quality goods, although at the same time it is a powerful factor in their growth and improvement. At the same time, the market dictates strict and even cruel rules of survival, persistent competitive struggle, strict observance of the rules of trade and of a certain unwritten "code of honor" that says, in particular, that "profit is above everything, but honor is above profit."

We trust that the entire system of grain products will be improving; this will include grain procurement, its price, relationship between the producers and procurement agents; we like new sellers of grain—farmers and leaseholders. Our life is going in that direction. The important part of it is not to get ahead of ourselves and not to jump over stages. And to remember that not all decentralization is good.

## POLICY, ORGANIZATION

### June Consumer 'Basket' Shows Two-Per Cent Increase

91P50246A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 6 Jul 91 p 1

[Unattributed Report: "Life Became More Expensive by Four Rubles"]

[Text] And so, according to our data, the cost of the 'shopping basket' in June was 209.24 rubles. Keep in mind that last month it amounted to 205.06 rubles. Growth for the month is four rubles, or two per cent. The 209 rubles figure represents only the cost of food, or how much money the average Soviet person must spend on eating, in order not to starve.

Of course the cost of living varies by region. In Krasnoyarsk, for example, costs rose by 105 rubles over the month. The cause—the total disappearance of meat products from state stores and the appearance of fresh vegetables and fruit at 'fresh' prices. In Chelyabinsk the 'shopping basket' got more expensive by 55.65 rubles. Yet in Donetsk it got cheaper. Now it is 187.20 rubles (in May the indicator was 220.45 rubles). The lowered prices in Kursk are also remarkable—156.85 rubles (vs 202 rubles). According to information from our correspondent, this is connected with the lowering of prices on hens and also with the fact that the oblispolkom lowered prices on sausage.

## FOOD PROCESSING, DISTRIBUTION

### Economist Looks at Co-op Prices, Capabilities

914D0239A Moscow TORGOVAYA GAZETA  
in Russian 29 Jun 91 p 2

[Article by Doctor of Economic Sciences V. Voronin: "Whose Price Is More Honest? A Scientist Dissects the Cost of Sausage and Ponders What Is Behind It"]

[Text] Voronezh—By now we are, theoretically, somewhat familiar with three new types of retail prices: limited, regulated, and unrestricted. We have yet to master them in practice. A long stage of getting used to them has begun. Many prices are like heights—they take your breath away. Doubts creep in: Are we not being cheated yet again?

Consumer cooperatives were the first to begin dealing plainly with consumers. There is nothing that the consumer cooperatives can do: They are placed in an unequal situation in competition with the state sector. The procurement prices are the same, but subsidies are not allocated to consumer cooperatives from the state budget as they are to the state sector.

For this reason the consumer cooperatives were the first to take the psychological blow caused by the price increase. New price lists for sausage, butter, sweetened

cottage cheese, and sour cream were already posted in the shops of the Voronezh City Cooperative Trade Association when customers rushed from one shop to another in late March in order to use their ration cards for meat products and butter at the old prices. However, the customers avoided these shops and they stood empty, the abundance of goods on their shelves notwithstanding.

Indeed, summer sausage manufactured by cooperatives costs 23.40 rubles [R] per kilogram at present. The increase is high indeed, by a factor of three, but how are cooperatives better off by virtue of this? Does the operation of cooperatives not resemble the old joke about egg broth?

Let us calculate the "broth" the cooperatives get, especially since it is no longer a secret for the customers. The cooperatives of Voronezh have for the first time developed special price lists in which all the elements of the chain are reflected: the cost of purchasing raw materials, processing outlays, and trade rebates.

Outlays for manufacturing Ramenskaya-brand sausage are determined by the cost of raw materials (R16.58; the consumption of meat given a purchase price of R10 and a utilization coefficient of 1.7). Processing outlays and profits of the enterprise combined account for R4.95, or less than 30 percent of the value of raw materials. This includes all production outlays, wages, and profits. Therefore, the sausage is sent to trade at R21.53 per kilogram. For comparison, in the state sector the standard profit margin as a percentage of self-cost alone comes to 30 percent. Therefore, the "broth" of the cooperatives is indeed small, as you can see.

Have trade employees perhaps grown rich because of this? Let us take a look.

The retail margin comes to only 8.7 percent of the wholesale price, that is, merely about R2 per kilogram. Mere kopeks remain from this amount for trade employees after the subtraction of transportation expenditures, storage, and so on. They could be making more if they set the retail margin at 20 percent, as authorized by the law, rather than 8.7 percent.

What would be the price for cooperative sausage in this case? As high as R28.50! This is R5.10, or 22 percent, higher than the current price. That is to say, the cooperatives competing with the state sector reduced their price by 20 percent compared to that authorized by the norm in order to make their prices affordable, even at the expense of their own social program.

How much does similar sausage cost in state trade? Odesskaya-brand summer sausage, which is close in terms of quality (or more precisely, the requirements of the state standard) costs R10, and Poltavskaya-brand sausage costs R10.50. This is more than two times cheaper than cooperative sausage, and almost three times cheaper than its actual self-cost. Is this good or bad? Any customer will say that it is good; after all, the

state gives us, the consumers, a present of approximately R18 per kilogram of this sausage. However, let us not hasten to offer words of gratitude.

The point is that looking for this sausage in stores is futile. It is not sold on ration cards anywhere, because it is assigned for sale to the so-called special section. Patients in hospitals, students, children of preschool age in day-care centers, and so on belong to this category.

It turns out that most of us consumers cannot take advantage of the R18 "gift" from the state. Moreover, we are precisely the ones financing this "gift" for a limited circle of people on the principle "everybody pitches in, and we scrape something up," because the subsidies come from your pocket and mine.

Eliminating state enterprises from the competition for consumers by offering support from the state coffers does us a disservice: These enterprises could not care less about the quality of their products. Can the quality of their sausage be compared to that of sausage manufactured by cooperatives? Had it been sold at its real rather than imaginary cost, meat-packing combines would have gone under long ago. This has not happened for the sole reason that basic slovenliness has been financed, and the special section has been supplied for peanuts, at our expense.

There is no place for dishonesty in the market, all the more so for dishonesty in competition. In a market economy, equal conditions for economic competition are created for all enterprises—competition not against each other, as is the case here, but for consumers. In turn, all consumers are equal as far as access to all goods without exception is concerned: You come, you choose, you pay.

The artificial maintenance of the competitiveness of state meat-packing combines from the taxpayers' pockets has one more undesirable consequence. In this case, sausage manufactured within the structure of consumer cooperatives is no longer competitive. This means just one thing—the prompt bankruptcy of well-established production. In whose interest is this? Only in the interests of the meat-packing combines.

In a normal market economy it is necessary to support the competitiveness of primarily small enterprises, which are easier to ruin, with a view to precisely preserving competition among the manufacturers in the market. That is to say, state budgetary subsidies should not be marshalled to state meat-packing combines, representatives of the largest monopoly in the country, but instead primarily to those who need to maintain competitiveness, or else to all manufacturers, including consumer cooperatives, at the same rate, in order to create the same economic conditions for all.

Meanwhile, the cooperatives of Voronezh are taking a second step toward a market economy in their struggle for consumers, for consumer confidence and loyalty. They have tried to reduce retail prices. There are two

sources, though both are extremely tiny: the manufacturer's profit, and trade rebates. They weighed this question for a long time and considered all the "pros" and "cons." Finally, they made trade rebates their priority, and reduced prices for most brands of sausage by R1, R2, or R3. The cooperatives have had to control their outlays in order to attract buyers. Well, this is perhaps far-sighted. After all, a clever merchant always takes care of at least tomorrow rather than today.

## HOUSING, PERSONAL SERVICES

### Development of Paid Services Analyzed

914A0875A Moscow *PLANOVYE KHOZYAYSTVO*  
in Russian No 1, 1991 pp 98-104

[Article by A. Bokov, candidate in economic sciences: "The Development of a System of Paid Services"]

[Text] The proposals of economists and managers to prevent the collapse of the consumer market threatening the country and to normalize monetary circulation are aimed primarily at the development of measures ensuring an increase of production and the sale of consumer goods, the expansion of new, non-traditional channels for the realization of the population's income (acquisition of land, stock, designated loans, etc.). Yet such measures are insufficient. An analysis of the situation shaping up indicates that a balance of monetary incomes and expenses of the population can be provided and the consumer market stabilized only under conditions of an intense expansion of the sphere of paid services. Global experience is evidence of this.

Indeed, a build-up in the production of goods demands the creation of a corresponding system of services. And this concerns both the organization of customer service to support the property accumulated by the population (repair of household appliances and radio-electronic apparatus, car repairs, dry-cleaning, laundering, etc.). As the research of Soviet and foreign specialists has shown, the problem of concomitant types of services inevitably arises as the demand of the population for individual groups of consumer services is sated. The absence of such an interconnection between the production of goods and paid services leads to serious deformities in the structure of consumption.

At the same time, an accelerated development of the paid services sphere is also pressing because it is necessary to resolve the social problems associated with the creation of the most favorable conditions for strengthening the population's health, active recreation, and leisure, for easing housework, and with intensifying motivation for labor, etc.

### The state of the development of a system of paid services in the country

At present, the system of paid services in the USSR does not correspond to the public's growing demand (neither

in scale, tendencies of activity, nor in pace of development). Through this system passes only one-ninth of the total sum of population's consumer expenditures, while

at the same time, in the countries of Eastern Europe, the figure is approximately one-fifth, and in the United States, more than one-half (Table 1).

**Table 1: Structure of consumer spending of population of USSR and several other countries, 1988, in percentages, with all spending equaling 100 percent**

Spending for purchases	USSR	Hungary	Czechoslovakia	United States	Great Britain
Goods	87.5	77.6	80.5	46.6	59.6
Services	12.5	22.4	19.5	53.4	40.4

Over the four years of the current five-year plan, the volume of realization of paid services to the public has increased by almost 1.5-fold. At the same time, the established annual plans were not fulfilled once (Table

2), as a result of which the shortfall of services to the public totals over R7 billion. Considering the anticipated underfulfillment of the assignments for 1990, this figure will grow to R11 billion.

**Table 2: Fulfillment of annual plans for volumes of paid services realized, in billions of rubles**

	1986	1987	1988	1989
Plan	51.4	56.4	63.1	68.6
Account	49.6	53.6	62.0	67.1
Deviation	1.8	2.8	1.1	1.5

Types of services such as sanitarium-resort services, tourism-excursion services, communal, physical culture and sports, as well as services for shoe, furniture, and household appliance repair, laundry and rentals, have developed less than the calculations envisaged in the plans. And despite the objectively conditioned tendency toward runaway growth in services in proportion to the

growth in the monetary income of the population, the share of services in the latter has remained almost unchanged.

The volume of realization of paid services achieved until now ensures the satisfaction of the population's demands by somewhat over 40 percent by comparison to the practical norm, which is substantially lower than the average for consumer goods (Table 3).

**Table 3: Estimate of the degree of satisfaction of public demands for paid services in comparison to effective norms of their consumption, rubles annually per capita**

	Effective norm of service consumption (public spending)	Report total 1985	Public spending 1985	Report total 1989	Public spending 1989	Satisfaction degree (percent), 1985	Satisfaction degree (percent), 1989
Total of services	488.25	162.3	144.58	233.1	213.1	29.6	43.7
Including:							
—domestic	135.31	37.9	32.4	54.5	47.2	23.9	34.9
—Passenger transportation	98.92	55.8	50.39	66.1	61.3	50.9	62
—Communications	35.55	10.7	10.7	13.9	13.9	30.1	39.1
Sanitarium-Resort	38.62	4.4	1.54	7.4	4.1	4.0	10.6
—Tourism-Excursions	29.5	5.6	2.78	12.6	7.8	9.4	26.4
—Physical culture and Sports	7.12	0.4	0.3	0.8	0.7	4.2	9.8

The significant, unjustified, territorially uneven development in their consumption is also a deficiency of our system of services. While the level of provision of paid

services to the residents of the Baltic republics is R250-300 per capita, in the Central Asian and Transcaucasus republics (except the Georgian SSR), it is R100-150. The

development of paid services in rural locations is seriously lagging. Even under conditions of income equal with that of urban residents, rural residents' expenses for these purposes are approximately 2-2.5 times lower.

The non-development of socially organized service to the population is reflected in the enormous scope of the emergence of the "shadow economy" in the services sphere. In the final analysis, this causes serious negative social consequences, which lower the level and quality of life for the population, causing additional physical and psychological burdens among workers in the satisfaction of their needs and requirements for services.

#### The causes of lagging of the paid services sphere

To a certain degree, the lagging of the paid services sphere compared with other sectors of the national economy and compared with the demands of the population have been caused by the result of the course pursued over an extended period toward the priority development of the material production branches. This was reflected first and foremost in capital investments, material and financial resources which were, as a rule, allocated in last place to the needs of the service sphere. Thus, the proportion of capital investments in the total volume of the national economy directed toward the construction of facilities with a non-production designation was reduced from 35 percent from 1956-1960 to 29 percent from 1986-1988. And the wage level in the services sphere has always been substantially lower than that of material production. While in industry the average monthly wage of workers and employees in 1989 was R264, in the housing-communal economy and in domestic services to the public, the average was R183; in health care and physical culture, R161.5; in culture, R134. And the limited resources directed toward the development of the non-production sphere were utilized in such a way that a substantial portion of them went toward expanding departmental, and sometimes prestigious facilities of social-cultural and domestic designations.

A build-up in the disproportions between the public's growing demand for services and the possibilities of meeting these are the consequence of such a policy. This has deformed the structure of the consumer budget in a serious manner, intensified the demand for goods, and exacerbated their shortages. As a result, by the early 80's, it had become obvious (and not only to economists) that it would scarcely be possible to weaken the intensifying tension in the consumer market merely by means of building up the production of goods; an expansion of paid services was needed.

This necessity was acknowledged in a number of Government decrees, and was reflected in the Comprehensive Program for the Development of Consumer Goods Production and the Service Sphere for 1986-2000. Attempts were made, however, to implement this program primarily through administrative-organizational measures (introducing a new directive index, "the

volume of realization of paid services to the public," bringing it to all enterprises and organizations regardless of departmental subordination, applying sanctions for non-fulfillment of the plan, etc.). Nor were the tasks established fully reinforced with material resources and capital investments. As a result, practically none of the Government decrees on the issues of developing and strengthening the material-technical base of the branches of paid services to the public was implemented.

It should be said that according to USSR Goskomstat [State Committee for Statistics] data, during the first three years after the adoption of the indicated Program, the pace of growth of paid services grew two-fold, and averaged 10-11 percent per year against 4-5 percent from 1970-1985. Yet as analysis indicates, the growth of paid services during the past five-year plan, without any significant build-up of the economic potential for their implementation at all, was ensured primarily through their organizational factors: effective utilization of the material base available, involvement of non-profile enterprises in rendering services, and the development of cooperative and individual labor activity. Thus, over one-third of the total growth in the volume of paid services came from non-profile enterprises and organizations.

At the same time, the relatively fast pace of growth in services registered by the statistical organs did not quite faithfully reflect the actual state of affairs. In particular, the changes introduced into the methodology of planning and compiling reports seriously affected the dynamics of the index of "the volume of realization of paid services to the public." In attempting to report 100-percent fulfillment of the plan, enterprises put powerful pressure on the planning organs, demanding expansion of the make-up of paid service by including in them types of activity having no direct relation to services to the public (the sale of meat, vegetables, and other food-stuffs raised in factory private plots; services rendered not to the public, but to outside enterprises and organizations; the price of products in excess of the plan sold to their own workers, etc.). After all, the broader the make-up of paid services, the simpler it is to fulfill the plan. All the more so because as a rule, such requests arose not during the process of formulating the plan, but after its adoption.

Unfortunately, planning organs did not always manage to resist such pressure. And then there appeared exceptions permitting the inclusion in the volume of services rendered the cost of production deviation, construction materials, and other articles, young livestock, even the housing under this article, and the construction of road maintenance facilities, and the suchlike sold by enterprises to the public. According to the estimates available, of the R22 billion of growth of paid services established by the statistics for 1986-1989, approximately R4 billion is attributable to methodological changes.

The combination in a single index, "the volume of realization of paid services to the public," of types of

activities differing in their final result (sale—commodities circulation; construction—construction assembly) has not only distorted the actual picture of the state of the paid services sphere and complicated the resolution of the problem of balancing the population's monetary income and expenditure but also negatively affected the actual development of services. An illusion of apparent prosperity has been created. Enterprise collectives received unearned wage bonuses. Not infrequently there were cases when this or that enterprise, upon receiving targeted funding resources for rendering services to the public would simply sell the resources, counting them as a service rendered. All of this distracted from the sphere of problems vital for the branches, problems associated with strengthening their material base, adjusting a reliable system of resource supply, forming an economic mechanism, providing genuine economic concern for the workers, and resolving cadre and other issues.

The opportunities for extensive development of the services sphere through organizational factors were for the most part exhausted at the end of the 12th five-year plan. The nascent transition to new economic management and the expansion of enterprises' independence in planning have led to a state where many of them (first and foremost those for whom rendering services is not part of their profile activity, and is accompanied by losses) have begun to refuse to accept the goals set from above for volumes of paid services. Thus, in 1989, services worth R3 billion were accepted by neither profile nor non-profile enterprises, and for 1990, R7 billion.

A weakening of the system of directed planning took place against a background a naturalization of economic relations and a worsening problem of resources supply. In such a situation, enterprises of the service sphere were in the most complicated predicament, since in exchange for the delivery of spare parts, raw goods and materials, they could offer nothing other than monetary resources which were becoming devalued. This has also had a most negative effect on the development of the services sphere of late. Growth rates for paid services in 1989 fell to 8.3 percent, and from January-September 1990, to seven percent.

Attention must be drawn to the fact that the increase of rates for services intensified during this same period. According to USSR Goskomstat data, for the first half of 1990, the index of prices and rates for paid services was 102 percent of the analogous figure for the comparable period of the previous year; within that, the index for domestic services was 106 percent, and for a nine-month period, 103 and 106.3 percent respectively. Thus, in compared prices, a growth of the total volume of services of only four percent is noted in 1990 (as opposed to the 13.6 percent envisaged in the plan), and for domestic services, there was even a reduction of the physical volume by two percent.

The calculations indicated that by late 1990 the country will have a services shortfall as compared to the plan of a sum of approximately R4 billion. In 1991, the situation in the market may become even more aggravated. The tendency taking place in the development of services and their resource provision gives a basis to suppose that in 1991 the population will actually be rendered only R73-75 billion worth of services. At the same time, according to estimates, the demand for services (with consideration for the assumed growth of the population's monetary income) will be approximately R90 billion. Consequently, according to the most modest assessments, the size of the current unfulfilled demand will reach R15-17 billion, and in a total with the figure already accumulated for the previous years, R35-40 billion. If measures are not taken under these conditions to limit the public's demand and normalize the state of affairs in the consumer market, then with the establishment of open pricing for paid services, their potential growth will be 150-160 percent, which may, in turn, significantly exacerbate social tension in society.

Today it is obvious to the overwhelming majority of specialists that the most realistic path allowing the branches to come out of the crisis status is a transfer to market relations. Its goal is above all to increase the efficiency of the functioning of the paid services sphere on the basis of an expansion of economic and managerial independence of enterprises, and a strengthening of their responsibility for satisfying the needs of the population. The experience accrued in developed foreign countries shows that the introduction of elements of market relations into the activity of enterprises concerned with serving the public creates the possibility to achieve positive results within relatively short periods. This is achieved through a more flexible reaction of the market to changes in consumer demand, to the individual demands of people, high competition, and a battle for the consumer.

#### Prerequisites for the formation of a paid services market

Definite economic and social prerequisites are already available for the transfer of the service sphere to market relations. First of all, there function in the given sector a large number of small enterprises not having a monopoly on the consumer market (with the exception of rendering certain types of services). For example, in domestic service to the public alone there presently number 327,000 enterprises, while at the same time in all branches of industry there are 46,000. Thus, unlike material production, here it is possible to resolve the problems of deconcentration and demonopolization of activity fairly rapidly, and on this basis to create conditions for free competition among providers of services.

Secondly, in view of the fact that provision of services is inextricably connected with their distribution, the enterprises of the given sphere have accumulated experience in working directly with the public under changing conditions of consumer demand.

Thirdly, there is already a significant sector in the services system functioning on the basis of market relations. It includes cooperative enterprises and citizens working on an individual labor activity basis. On 1 June 1990, the number of cooperatives operating in the sphere of domestic services to the public was 31,200; leisure, 2,372; passenger transportation, 752; medical services, 2,767; sports and health treatment, 1,153. The total volume of work done by cooperatives in domestic services to the public alone reached R3.3 billion in 1989. Moreover, in the sphere of services to the public there are employed 230,000 citizens working on an individual labor basis. Partially with utilization of market laws there operate leasing and joint enterprises, various types of associations and stockholding companies. The aforementioned organizational forms may serve as a proving ground for developing paths to the formation of a market of services, as well as means for its regulation.

And finally, the social aspect conditioning the need for a priority transfer to new conditions of management should be kept in mind. This is associated with the idea that the given sphere could swallow up the basic mass of workers let off from material production. After all, at present only a 27.6-percent share of the total employed in the national economy is in the non-production sphere, which is substantially lower than in economically developed foreign countries. Therefore, in order not to come up against the problem of massive unemployment under a transfer of the branches of material production to market relations, there must now be created new work places in the service sphere, and a new mechanism of management must be formed.

#### **The sphere of action of market relations**

The issues of the phased nature of the transfer to market relations of various branches and sub-branches of the service sphere, and the definitions of the features of their operation under the new conditions of management require special consideration. In resolving these issues, the following factors must be considered:

- the specifics of the organization of rendering services and the level of their effect on the expanded reproduction and formation of the country's economic basis;
- the social significance of services and their role in ensuring the normal production of the work force and life activity of the population;
- the presence of the structures already available functioning on the basis of market relations.

It seems, considering the ideas indicated, that starting even in 1991, the overwhelming majority of enterprises of domestic services to the public may be transferred to market relations (hairdressing salons, shops for custom-made clothes and shoes, household appliance repair, car servicing, transportation and expedition organizations, and for construction and repair of housing), and of organizations and institutions in the leisure, recreation,

and entertainment branches (a portion of movie theaters, theaters, circuses, attractions, leisure centers, parks of culture and recreation, pensions and recreation sites, small sports complexes, tourist facilities). And in my view, it is advisable to initiate a denationalization of these enterprises and create on their basis economically free and independent structures based upon the various forms of property—collective, private, and mixed.

Large social-cultural and domestic facilities equipped with complicated and expensive equipment and technical resources (such as laundromats and dry cleaners, as well as union-designated treatment, tourist, and hotel complexes) should by all appearances be left as state property during the transition period.

The noncommercial services sphere will grow under a special program under market conditions: organizations of health care, culture, education, physical culture, and sports. Obviously, it is necessary to preserve the budgetary financing for the services they provide, although in a somewhat different form: The resources must be allocated directly to the consumers, and not to the producers. Many of the organizations providing primarily free services to the public may be more actively attracted to rendering paid services than they are now. In doing this, the proportions between paid and free services will be formed, on the one hand on the basis of the level of paid services socially guaranteed by the state, and on the other hand, taking into consideration the concrete situation unfolding in the consumer market. In accordance with the USSR Law "On the Foundations of Economics Relations of the Union of SSRs, the Union and Autonomous Republics," the resolution of these issues must be found in the competence of union and autonomous republics or be delegated by them to the local soviets of people's deputies.

Stemming from the specific features of the services provided by the enterprises of USSR MGA [Ministry of Civil Aviation], USSR MPS [Ministry of Railways], and the USSR Minmorflot [Ministry of the Maritime Fleet], the administration of their activity must be reserved to the state, coordinating them from a single center, implemented by common union organs.

#### **The transition period**

The transfer of the services sphere to market relations, and their normal function under new conditions will require the formation of the corresponding economic environment. It is necessary above all to create a reliable system of material-technical supply to enterprises. This role could be filled by commodities markets, trading houses, and special commercial centers, including those organized on the basis of the existing structural subdivisions of USSR Gossnab [State Committee for Material and Technical Supply], and the supply organizations of ministries and departments. Involving cooperatives and various types of associations and stock companies in such activity is also possible.

The functions of the union-wide, republic, and local organs of government regulating enterprises' activity in providing services to the public should be radically changed. In view of the fact that starting in 1991, all-union and autonomous republics, krays, and oblasts will make a transition to the principles of self-financing and self-management, the center of gravity of all work in regulating the development of a system of services must be relocated to the localities. Therefore the administrative structures at the local level currently in existence should be transformed into science and technology firms, consulting-innovating firms, and supply and marketing organizations of a commercial nature which will develop science and technology policy in the paid services sphere, and study the requirements and demand of the public for services, advertisement, and supply, etc.

Under the new conditions, it is advisable to concentrate the efforts of USSR Gosplan [State Plan] in this area on the following trends:

- the direct planning of activity of those enterprises remaining in the sphere of centralized administration (USSR MPS, USSR MGA, USSR Minmorflot, the services of USSR Goskominturist [State Committee for Foreign Tourism], and the services of certain defense branches);
- the resolution of issues of the organization of production and procurement abroad of various types of equipment and technological resources needed by the enterprises of the services sphere in order to realize union-wide programs;
- the formation of an economic environment ensuring the realization of union-wide priorities in the development of a system of paid services. The aforementioned activity may be implemented through a system of economic regulators and stimuli (credits, taxes, subsidies, prices, centrally allocated material resources, guarantees for the delivery of services);
- the state's definition and provision of social guarantees in the area of delivering services to the public.

The issues of ensuring the social defense of citizens during the transition of the services sphere to market relations demands particular attention. In order to resolve them, it is above all necessary to determine the minimum level of provision of unpaid and privileged services as applied to various categories and groups of the population. Further, the amounts of compensation to the public for losses caused by the increase in rates for services should be established, and the procedure and means for their compensation worked out. For those services whose provision is directed with social precision, the state's guarantees to provide the privileges may be implemented through socially low rates (services of children's preschool facilities, pioneer camps, housing-communal services). As regards everyday services used by all groups and strata of the population (domestic services, passenger transportation, communications), defense of the public's interest must be ensured through

indexation of monetary incomes, with consideration for an increase of the rates for services.

#### Improving planning and accountability of paid services

The introduction of serious changes in the system of indexes characterizing the level of development of paid services will also be required under a transition to new conditions of management. This concerns first and foremost the improvement of the fundamental price index, "the volume of realization of paid services." In its current form it is, in effect, a palliative on the basis of which we have attempted to solve to poorly compatible problems: a reflection of the actual level of the public's consumption of paid services and an attempt to influence enterprises through a plan index in order to solve quite concrete economic problems (ones not always relating directly to servicing the public). The well-known Government decision on counting as paid services the cost of materials and manufactured goods sold directly to the public by enterprises, bypassing trade channels, can be cited as the most graphic example. This was done in order to involve non-profile enterprises in realizing such a sale; after all, at present, labor collectives have no economic stimuli for this; on the contrary, attempts to naturalize the exchange processes are observed.

More than a few such decisions can be cited, when under the influence of strictly pragmatic concepts, deviations from the accepted methodology were made; in certain situations they were genuinely necessary. However, during a transition to market relations, the indexes of realization of paid services must obviously be formed primarily on the basis of concepts of how adequately they reflect the actual level of the public's consumption of services. As far as stimulation of the producers of services is concerned, this should be done through the appropriate economic levers and stimuli.

The introduction of two indexes into the practice of planning and accounting of services is currently proposed: one reflecting the entire volume of consumption of services by the public (paid and unpaid), regardless of what the sources of their recompense (budgetary resources, enterprise funds, public organizations or the public's personal income), and one fixating only the services paid for by the public's personal income). The first index is necessary to evaluate the actual level of consumption by the public of all services and to calculate the corresponding macroeconomic indexes (the production of branches of the non-production sphere, the gross national product, etc.). The second index is required for the balance of the population's monetary income and expenditures.

As far as the planning of paid services proper is concerned, it seems advisable both during the transition period and subsequent years to limit ourselves solely to developing our prognostic figures reflecting the total volume of the realization of paid services needed to satisfy the public's effective demand. This information must be reported by USSR Gosplan to the councils of

ministers of the union republics, and through them to enterprises merely as a possible basis to form their plans, and thus bearing no semblance of a directive. The enterprises' intention to orient themselves in their activity according to this information should apparently be reinforced by corresponding measures of an economic order (granting advantages in taxation, allocation of resources in short supply, and exemptions from payment for land, water, labor resources, and the like).

An attempt to enact such an approach was made while determining the volumes of realization of paid services for 1991. The formulation of the draft plan for the development of paid services was implemented with consideration for decisions made by the USSR Supreme Soviet in the economic sovereignty of the union republics, property, leasing relations, as well as for other decrees determining the new legislative foundations of economic activity. In accordance with this, it was decided not to establish directive goals for the realization of paid services to the public for 1991 on the level of the national economy. Based upon the information about the intentions of enterprises and organizations situated within their territories, also including enterprises of the union property, the union republics determined independently the volumes for realization of paid services. The centralized procedure for planning of services has been preserved only among enterprises subordinate to the USSR MPS, USSR Minmorflot, USSR MGA, USSR Minoborony [USSR Ministry of Defense], USSR Minatomenergoprom [USSR Ministry of Atomic Energy and Industry] and USSR Goskominturist. Only indexes of passenger turnover for rail and air transportation are included in the body of works executed for state needs.

The approach to material-technical supply has been altered. It is stipulated that starting in 1991, enterprises rendering services to the public must acquire the necessary materials, spare parts, and equipment through wholesale trade and by means of concluding direct contracts. Unlike before, there will be no targeted distribution of centrally allocated resources for the needs of enterprises of the services sphere. The purchase of imported raw materials and equipment in order to render services must be done by the republics, as a rule, with their own hard currency resources.

Individual clarifications have been made in the practice of the formulation of the "volume of realization of paid services" index. In order to adequately reflect the results of the activity of enterprises and organizations in the area of paid services to the public in the plan and report, the following will be included in them, starting in 1991:

- gas supply, water supply, sewerage, electrical supply, and heating services;
- tourism and excursion services, without consideration for intra-branch repeat counting;
- domestic services, counting the cost of raw goods and materials used to render services.

However, the results of forging the draft plan with the union republics have indicated that because of the tardy adoption of the legislative bases defining the new economic conditions of management, the new approaches to working out a draft plan for the development of paid services for 1991 were not fully realized.

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## PERSONAL INCOME, SAVINGS

### Report on Commission Discussion of Income Indexation Law

914D0241A Moscow *TRUD* in Russian 22 Jun 91 p 1

[Article by O. Osipov: "One Must Pay, But the Coffers Are Empty"]

[Text] A draft law of, perhaps, primary social significance was discussed at a joint meeting of the committees and commissions of the USSR Supreme Soviet: "Fundamentals of Legislation of the USSR and Republics on Indexation of Income of the Population." It was submitted by USSR Minister of Labor and Social Questions V. Paulman.

Let me remind you that this document, which determines the organizational-legal and economic principles for increasing the monetary incomes of the citizens under the conditions of higher prices for consumer goods and services, was adopted almost a month ago by the country's parliament on the first reading. But even with the altered version which is to be submitted to the Supreme Soviet in the next few days, the involved parties have not managed to reach a unanimous conclusion regarding all points. Thus the versions proposed by the USSR General Confederation of Trade Unions are singled out in the draft. What is the essence of the disagreements?

One must admit that they are vitally important for the population. In Article 3—on the amount of increase in income—it is written that it "is determined by multiplying the amount of income subject to indexation by the consumer price index." The VKP [All-Union Confederation of Trade Unions] insists on an addition: The income subject to indexation must be no less than the value of the minimum consumer budget established in the republic. Clarifying this position, trade union deputy S. Shalayev, in particular, said that citizens, mainly underprivileged people, must be guaranteed a minimum level of consumption. This is one of their rights which is registered in the recently adopted Law on Protection of Consumers' Rights. And the guarantees must be at the Union-wide level. Otherwise this question is logical: Why are the Fundamentals needed at all if absolutely all the norms are established by the republics? We could limit ourselves to recommendations.

Article 7 envisions that the sources of funds for indexation of wages of workers at state budget-supported enterprises, institutions, and organizations, are "allocations from the corresponding budgets." The USSR VKP demands that money also be allotted from the Union, republic, and local budgets for indexation of workers of medical, health, children's preschool, sports, and cultural-educational institutions and organizations that are on the books of enterprises, organizations, and trade unions. Under current conditions, when consumption funds are limited and taxes are high, the enterprise may simply "not extend" to the maintenance, for example, of kindergartens or medical institutions, and will be forced, as they say, to put them on the chopping block. It would hardly be expedient to allow such a thing.

And the trade unions suggest that the first paragraph of Article 9, which envisions state guarantees of the rights of citizens to indexation, be given in the following wording: "The minimum increase in monetary incomes envisioned by Article 3 of the present Fundamentals is provided for all citizens, regardless of the amounts of income they receive" and not just those who receive state pensions, grants, stipends, and money for reimbursement of losses. The VKP version is obviously more fair.

Other disputed points have also arisen when the draft Fundamentals have been discussed, and more will undoubtedly arise during the consideration of the second reading. For example, the problem of reimbursement for losses from the devaluation of savings in accounts in the USSR State Savings Bank. It is suggested that this be done by making changes in the interest rate, taking the price index into account. Of course, in the words of the chairman of the coordinating commission A. Zhuravlev, we would like to protect them fully through simply multiplying them by the price index. But in 1992 alone this would cost 372 billion rubles, while a change in the rates (nine percent instead of six) would cost the budget 59.9 billion. Here we must be realistic for, as the people's deputy admitted, the "coffers are empty."

On the whole, during the discussion one got the feeling that for the time being we are dividing up money that simply does not exist. It is possible to make the Fundamentals better or worse, but the main thing is to pay the citizens. So far the sources of financing that have been named have been budget funds and funds of the enterprises. As for the latter, as we know, many have not been able to find funds even for compensation payments. Therefore we should probably create tax breaks for the enterprises.

## FUELS

### Trade Union Chairman on Oil Industry Situation

914E0110A Moscow *TRUD* in Russian 25 Jun 91 p 2

[Interview with Lev Alekseyevich Mironov, chairman of the Russian Council of the Trade Union of Workers of the Oil and Gas Branch of Industry and of Construction, by Ye. Slobzhin of FNPR Press Service: "Destitute Billionaires"]

**[Text] If the price of gasoline goes up, do not blame oil-industry workers.**

TRUD has given attention to the problems of the Russian Federation's oil and gas recovery workers several times recently. This thought has run through the articles: today's situation is so critical that the possibility of a strike is not excluded. A conversation with L. Mironov, chairman of the Russian Council of the Trade Union of Workers of the Oil and Gas Branch of Industry and of Construction, started with a question about this.

[Slobzhin] Lev Alekseyevich, are the oil-industry workers getting ready to plunge the country's economy into the depths of an energy crisis?

[Mironov] We are not advancing all-encompassing political claims, we are not demanding a change of the government or the resignation of the president. We are getting something else—elementary social fairness.

I will explain briefly some of the peculiarities of our work. The oil branch right now is artificially divided into three main parts. The first is the recovery and transporting of crude—under the jurisdiction of the Ministry of Oil and Gas Industry. People who are working here also form our trade union, and, together with gas-field workers and the builders we unite one and a half million people. The second is oil refining. Third is the sale of petroleum product. It is here, in the third stage, that the basic proceeds from the sale of the "black gold" that is produced is concentrated. A ton of crude costs 70 rubles, the wholesale price of gasoline is 220 rubles per ton, the retail price is R460. The republic goskomnefteproduktu [state committees for supplying petroleum product] pocket the difference. Foreign currency in the amount of \$100-120 per ton remains practically on the whole with the Union government. A deficit of R15 billion was "planned" for the industry's budget for the oil-recovery workers for 1991; the gas-field workers required R7.8 billion in subsidies in order to make ends meet.

[Slobzhin] But oil prices have more than doubled since the start of the year?

[Mironov] However, this has not assured profitability. The prices of our suppliers and supporters—the metallurgists and the machinebuilders—have increased, and the introduction of leasing payments "has eaten up" billions. As a result, there was not enough money to raise people's pay. Last year oil-industry workers obtained an

average of R346 per month, gas-industry workers R327, and construction workers R341. I understand that comparisons of this type bore people to death, but still I will say: In dollars, it is estimated that the Soviet proletarian in the oilfields earns as much in four weeks as his American counterpart gets in one hour. Right now, in the North, a family with a similar level of income supports a family only if it has no more than one child.

In the fall of last year, reports of the threat of a strike began to be received from the field. We appealed to Ryzhkov's government—there was no answer. In March, when the situation became quite critical, the Russian Council of workers of the oil and gas industry and of construction sent a package of demands to the USSR President and the Cabinet of Ministers. I will name the basics: increase the purchase price for oil and gas, double the pay, and lift the restrictions on increase of funds sent to the consumption funds. We officially warned that no one should doubt the readiness of the trade union to use the right to organize collective action that has been granted by law and the regulations. The "pervichkis" [primary Komsomol organizations] supported us.

The regime reacted quickly this time, and a conciliation commission was formed. But simultaneously Minfin [Ministry of Finance], Mintrud [Ministry of Labor], and Goskomtsen [State Committee for Prices] raised an alarm—they said that we were provoking a new round of inflation, you want to ruin the country, to bring it to its knees....

[Slobzhin] And actually?

[Mironov] According to our calculations, if the price of crude is raised to R150 per ton, the price of gasoline on the consumers' market should not increase by a kopeck. It is a redistribution of profit among those who recover the crude from the earth, refine it, and sell it. The reserve is good.

[Slobzhin] What stage are the negotiations in right now?

[Mironov] There is a decree that raises wages—true, gradually, beginning with June through the Fourth Quarter, inclusive. The Cabinet of Ministers has already signed it. But no official decision has been adopted yet about the increase in price for crude (otherwise where shall we get the money?). Although it has been agreed in principle that, with the beginning of next month, crude should become more expensive by R14, gas by R28. The laboring collectives right now are expressing sharp dissatisfaction with the causes of the slow course of the dialog with the government. Worse than that, we have at our disposal unofficial information that an increase in retail prices for gasoline is being readied for the near future. And it is not excluded that they are trying to place the responsibility for this on oil-industry workers—they will say "they forced us." But we are completely innocent here.

[Slobzhin] Well, and if your basic demands are not satisfied in the near future, the oil workers will, nevertheless, strike?

[Mironov] There are still two factors: first, the President's recent moratorium bars the path to a strike of the branch, and second—this is the main thing—if we stop the wells they will go out of commission. The specifics of the continuous production cycle prevents this. And, if you like, there is the consciousness of the people. Nevertheless, as before, in announcing readiness for collective action, we are by no means bluffing. There are other methods for exerting strong pressure. For example, at the end of April, when, at the initiative of the FNPR, an All-Russia warning of an act of protest occurred, a portion of the drilling decreased for a certain time the amount of recovery, and at the oilfields crude was pumped into tanks instead of being transferred to customers. That is, without violating the law, we conducted a so-called "work according to the rule." Incidentally, I shall not disclose all our professional secrets.

[Slobzhin] And now here is this question. Why does the industry's Russian Trade Union conduct negotiations with the Union government?

[Mironov] Because in Russia, although 88 percent of the crude and about 80 percent of the gas for the whole country are recovered here, the state structure that will manage the fuel-and-power complex of the republic has just been created. We are still compelled to do business with the Union agency. But the matter of transferring it to Russian jurisdiction is already being posed in the field. The economic laws in Russia are much more liberal, and we are coming out for the denationalization of oil and gas recovery enterprises, the use of various forms of ownership, and, as for the oil industry workers, give them economic independence, undo the vise of the 100-percent state order, introduce free prices for petroleum product—and in the shortest time possible we shall be able to increase recovery by 5-10 percent. In general, we are working also in this direction.

## ELECTRIC POWER GENERATION

### Aircraft, Marine Engines for Electric Power Generation

914E0111A Moscow DELOVOY MIR in Russian  
No 123, 6 Jun 91 p 2

[Article by Aleksandr Shcheglov, candidate of engineering sciences: "The Power-Engineering Famine. There Is a Way Out!"]

[Text] A group of related articles under "Petroleum" (see DM [DELOVOY MIR], 26 April, this year) told about the difficulties the country has encountered in developing the extraction of raw materials for power engineering. The growing shortage of electricity and fuel, especially since the construction of high-powered AES's [nuclear electric power stations] was banned, is causing specialists special

apprehension. In order to solve this problem, judging by certain statements in the press by the industry's managers, deputies, and scientists, billions and billions in capital investment will be required for the erection of coal-fired thermal power stations. But this, in my view, are the fruits of traditional thought. There is a path and there are realistic engineering possibilities that will help to overcome many of the difficulties of supplying cities and the countryside with electricity and heat without extraordinary expenditures, and even with a sharp drop in the need for oil and gas.

But let us do everything in accordance with procedure. I shall try to prove that conversion of the defense branches of industry, primarily aircraft enginebuilding, will enable the problem to be solved more reliably and at less cost.

It is known that in recent decades highly automated small-capacity (0.2-40 mW) gas-turbine installations for the combined generation of electricity and heat (power-unit TETs's [heat and electric power stations]) have been widely used abroad.

Moreover, enginebuilding enterprises of USSR Minaviaprom [Ministry of the Aviation Industry] and USSR Minsudprom [Ministry of the Shipbuilding Industry], as well as a number of scientific-research institutes and vuzes [higher educational institutions] associated with the defense industry, long ago proposed the creation of domestic power plants of this type, based upon aircraft and marine gas-turbine engines (AGTD's and SGTD's). Some of these were presented last year at the Aviadvigatelestroyeniye-90 and Aerospes exhibition, which were held at USSR VDNKh [USSR Main Committee for Exhibition of Achievements of the National Economy].

And there are not just proposals: mobile electric-power stations of 2.5 mW capacity based on AGTD's have been in use in remote parts of the country for a long time, and about 200 mobile and fixed stations based on SGTD-12000 marine engines of 12 mW capacity, including a large TETs, are in use in the city of Mirnyy.

Much experience in converting aircraft engines for installation thereof at gas-compressor stations has been built up. Experience in the operation of such GPA's [gas transfer pumping units] has shown their high reliability and repairability, as well as adequate longevity. The manufacturers guarantee a time-between-overhauls of 30,000-60,000 hours and 5,000-10,000 hours between inspections.

The productive capacity of the defense industry's enginebuilding enterprises, which were freed as a result of the conversion, will enable the large-scale installation of gas turbines and of steam-turbine installations for power and heating. GTU's [gas-turbine installations] for heat and power can be used within small TETs's that have been erected at places where existing or newly erected regional or industrial boilerhouses have been located. The engines for them are being produced or already have been produced in large series (hundreds and thousands of units), a substantial portion of them lying at storage

facilities because they could not be used: the fact is that they were intended for aircraft now taken out of operation.

It is true, most of the engines require additional work. They should be equipped with dual fuel systems which will enable them to use low-pressure natural gas and liquid fuel (of the diesel type). A booster compressor for raising natural-gas pressure is included in the gas-fuel system.

The weight and clearance dimensions of aircraft and marine gas turbine engines are one order of magnitude less than those of existing domestic power-engineering GTU's. Therefore such installations can be manufactured in modular form, fully prefabricated at the plant, allowing minimal labor expenditure for installation.

Thus we have an enormous reserve facing us that will enable us to say that the country's power crisis is surmountable without the erection of ever newer and newer thermal giants and with less—substantially less—capital investment.

It is true, two problems arise in the use of heat-and-power generating GTU's at places where regional and industrial boiler houses have been located: the campaign against noise, and the reduction of nitrous oxide discharges.

These are surmountable. The experience of engine-building plants, which possess bench installations for testing tens of engines simultaneously, indicates that this problem was successfully solved back at the end of the fifties. Many of these enterprises are operating within the city limits of large cities, including Moscow, and it bothers no one, since the engineering solutions that have been found guarantee a reduction of noise to background level. As for the reduction of emissions of exhaust-gases and nitrous oxides, this problem also has an engineering solution. In the best foreign gas turbines, when they burn natural gas, a very low level of nitrous-oxide concentration is provided for—down to 100-150 mg/cubic meter (compare: for ordinary gas-and-mazut boilers it is 300-1,500!), which is achieved by the thorough premixing of natural gas with air. The developers of domestic stations are working actively to reduce nitrous oxide discharges to the levels of international standards. According to preliminary assessments of the feasibility studies, such plants reduce specific capital investment per unit of installed electrical capacity 1.4-fold to 1.6-fold.

The prime cost of the electricity and heat they produce is less than half that borne by USSR Minenergo [Ministry of Power and Electrification]. The total time these GTU-TETs's require to pay for themselves is 1.5-6 years, depending upon the cost of the basic engine and the actual rates for electricity. Moreover, the gas-turbine installation's flexibility sharply raises the power supply's reliability and the customers' dependence on the power system when there is a shortage of capacity and of power, including emergency situations. In reliability (freedom from breakdowns), level of automation, and flexibility,

such stations exceed any electric-power stations and boilerhouses, and, accordingly they allow operating and maintenance manpower to be reduced in comparison with the latter.

In essence, each industrial or municipal enterprise is in a position to build such an installation through its own funds or through bank credit. For example, even such a great customer of electricity as the Elektrostal Plant in Moscow Oblast could completely cover its requirements if it replaces half of the plant boilerhouse's heating capacity by 4-6 heat-and-electric-power GTU's.

Moreover, calculations indicate that, by radically rebuilding existing heating and industrial boilerhouses and by replacing half of their heating capacity with small GTU-TETs's, Moscow Oblast (outside Moscow's city limits) can replace all the electrical capacity necessary for the Moscow region right up to the year 2010 (we are assuming it will grow 1.6-fold over the existing level). Because of this, the necessity no longer exists for erecting and, accordingly, for withdrawing land sections for new, large TETs's in the region: Northern TETs-27 in the Mytishchi area (2.25 million kW), TETs-28 in the south-eastern area of Bronnitsy-Voskresensk district (1 million kW), a new coal-fired condensation electric-power station in the Shatura area (3.2 million kW), and a new pumped-storage electric-power station (1 million kW). For this purpose, the maximum variant needs only about 700-1,000 aircraft engines with a unit capacity of about 20 mW up to the year 2010. In the era of conversion, any Moscow enginebuilding association could produce this many engines during these periods.

Similarly, problems of supporting Russia's oblasts that practically do not have their own electric-power stations (such as, for example, Kaluga Oblast, where it is proposed to build a new coal-fired condensation electric—power station of 1.2 million kW capacity) can be solved.

Enterprises of USSR Minaviaprom, USSR Minsudprom, and other defense ministries are interested in this turn of affairs. But the matter is being held back by lack of the funds needed for organizing large-scale series engine production. It is those very funds that are being allocated for the construction of newer and newer giant stations. Indeed, is this not a shortsighted policy?

#### **USSR, French Nuclear Societies Meet**

*914E0104A Moscow PRAVDA in Russian 17 Jun 91  
Second Edition p 8*

[Article by PRAVDA correspondent A. Pokrovskiy (Paris-Moscow): "Expand Our World to Get Out of Harm's Way"]

[Text] The importance of knowing the arguments of each one who disturbs the future of nuclear power.

Having received an invitation to the International Conference of the Nuclear Societies of the USSR and France, I was reminded of one of the passages of A. Solzhenitsyn's

**Nobel lecture: "People apply their own tortured scale of evaluation to events in various lands—and they judge uncompromisingly and self-assuredly in accordance with their own scale, not by some unfamiliar one....The divisions on the scales most blatantly do not coincide, they dazzle, they offend the eye, and, so they will not be painful to us, we brush aside all strange scales as madness and misconception, and we judge the whole world confidently according to our own home-grown scale. That is why what seems to us to be great, sick, or unendurable is not that which is actually great, sick, or unendurable but that which is close to us."** And what is closer to us than the Chernobyl tragedy? But what scale do the French, who feed three-fourths of their power grid from AES's [nuclear electric power stations], while we, after Chernobyl, are practically crossing out nuclear power, use to judge this tragedy and the future of nuclear power? But these forebodings, if they were justified, then they are so in a most unexpected way.

Once again it was confirmed that the scientific scales of the specialists of various countries are quite accurately graduated. If there were discrepancies in the reports of the scientists of France and the USSR in evaluating the scale and consequences of Chernobyl, then we are talking about the refinement of various figures or a nicety of their interpretations. But meanwhile, stray currents of internal tension were clearly felt in the auditorium. The academic silence would seem to have thickened, portending, in my view, a thunderstorm, which is customary for us during discussion of scientific and engineering problems, the reality of which touches thousands of people.

Lightning flashed on the second day of the conference.

"Why aren't the reports of the 'greens' presented here?" one of the French journalists asked cockily.

"That's all," I thought, "now the conference will be turned into a meeting."

But M. Rapen, President of the French Nuclear Society and professor, who was presiding, turned out to be a good lightning rod.

"Please, our rostrum is open for all who wish," he said calmly. "We are prepared to hear any argumentative points of view. I will say more, it is extremely important to us to know society's opinion."

And here is what is most surprising of all—there was no shadow of scientific snobism in his words—what, they say, can the "man in the street" teach?—and there was a sincere interest in finding an "outsider's" opinion. And so it happened that this impression was confirmed by the next report of the Swiss scientist, Doctor Serzh Pretr, entitled "The Information Society after the Chernobyl accident." His key principle was one of Leo Tolstoy's aphorisms: "I do not know whether sin exists, but if even one of them exists, then this sin lives in a closed circle of people who think the same as you yourself do."

Doctor Pretr, on the basis of sociological research, analyzed the reaction of the various social strata to possible danger that proceeds from modern high technologies.

"I know from my own experience," he said, "how difficult it is to convince young mothers that the physicists do not want to harm their children. Formerly we believed the professors unreservedly, simply by virtue of their high scientific calling. Now, similarly, we have fallen into another extreme. The causes of this must be understood and taken into consideration. Otherwise many rumors, particularly about Chernobyl, will be realized—in people's heads."

Oh! Given our readiness to defend the opinion of our "closed circle," right up to self-immolation, how we lack this ability and desire to take into account also the opinion of the "outsider." Or, following the terminology of L. Tolstoy, to expand our world to get out of harm's way.

"Yes," A. Gagarinskiy, one of the conference's organizers and Executive Secretary of the USSR Nuclear Society, agreed in a conversation with me after S. Pretr's report, "we are lagging behind the developed countries in this school of public relations by 20 years. For nuclear societies have existed for a long time, even in those Western states where there is no large-scale nuclear power. These public organizations do not impose the opinion of specialists. They try to find a common language with the populace, to consider their opinion, let us say, about the siting of AES's and the quality of their construction and operation. Chernobyl prompted us to create such an organization two years ago.

"We feel the enormous concern of the Soviet people, primarily those who turned out to be in the contaminated zone after the Chernobyl accident. Right now they are in a most difficult psychological state. First we explained to them that it was nothing terrible and that nothing at all needed to be done. Then we started to explain that they are all literally prisoners condemned to death. They have now stopped believing anyone."

"Who belongs to the Nuclear Society right now?"

"We do not drag anyone in by force, but it already includes more than 100 enterprises and about 2,000 individual members, who participate in its work and pay membership dues—for our organization is nongovernmental. We have tried to unite primarily scientists who generate ideas in the area of nuclear science, the engineers who realize these ideas, and the production personnel who produce the output on the basis of these technologies, as well as educators and students. Not only specialists but also journalists, for example, are drawn to us. So it is that the society has become rather broad."

"But nevertheless, the main thing for us is not so much the bringing together of specialists as the creation of possibilities for their mutual action with the whole people. This is a new and difficult task. Indeed, what was to be done? Somewhere above, a decision was made that

nuclear power is indisputably good. And the press, let's say, obediently explained that, yes, it was good, without thinking very much about all the problems connected with it. Nowadays the specialists who have joined our organization are able, and even have the responsibility, to report honestly and objectively to society about the risk that is associated with nuclear production facilities and the new technologies, not just about their advantages."

"Most likely the experience of the nuclear societies of other countries could be useful?"

"Yes, it is necessary to act within the framework of international cooperation. Let's say in Europe there is a European Nuclear Society that combines 20 countries and more than 20,000 specialists. They gather regularly at conferences and publish much literature for the broad public and for specialists of related fields. They have, for example, begun a very interesting movement—'The Woman in Nuclear Power.' We have joined the European society, and we are trying to use its experience. Moreover, other ties have been established with the nuclear societies of the U.S., France, Finland, and South Korea. We are exchanging specialists and students and are taking joint scientific measures."

"A universal organization is being pictured here."

"Actually, the idea of an organization above the regional level arose recently, so it would be possible to exchange reference information and operating experience more widely with the public. For example, in the American nuclear society there has long been an ethical code for members of the society, the main thought of which is honesty and dedication to the ideals and interests of their country. But why is such an ethical code not made worldwide? To clearly define the duty of nuclear specialists to world society."

It cannot be denied that scientific snobism and insularity were tied up during their clash with outraged public opinion in such a tight knot of opposition that it not be slashed or untangled quickly. Is that not why the USSR Supreme Soviet managed to adopt the well-thought-out Law on the Protection of Citizens Who Suffered in the Chernobyl catastrophe only five years after the accident? That is not all. Indeed, do we not have such opposition arising also in other branches of modern high technologies—cosmonautics, chemistry, and so on? What is to be done here? Put obstacles in the way of scientific and engineering progress and live by candlelight, as one of the opponents of AES's wrote to the editor? Or, for all that, to try, instead of stubborn opposition to each other, to find jointly a method of coexisting with the scientific and technical revolution?

Perhaps, to begin with one's self, you try to distance yourself from the sin of self-isolation, and to understand that other people can also have their own tortured "scale of judgment." These thoughts found confirmation when I had just returned from the conference, in the output of still another writer. Don't judge too severely the frequent appeal to higher authority, but to whom else does one appeal in the sphere of human relations? This is what Sergey Zalygin said about the current situation: "We do not want even to understand that the terrestrial globe is limited and that man is limited to this world. When, with reproach, and even with scorn, we say 'limited man,' we do not even suspect that we speak the pure truth, since we are all limited. If our most extreme 'rights' and most extreme 'lefts' would focus on the problems of the Chernobyl accident and on the consequences of the robbery by Minvodkhoz [Ministry of Reclamation and Water Resources Management] in the Aral and Lower Volga basins, they would be citizens in a greater degree, and they would understand each other better.

That is right, there is something here to ponder.

**Registration of Unemployed Begins**

914F0266A Moscow ARGUMENTY I FAKTY  
in Russian No 24, Jun 91 pp 1, 3

[Interview with A. Shokhin, director of the Institute of Employment Problems of the USSR Academy of Sciences and academician of the Russian Academy of Natural Sciences, by ARGUMENTY I FAKTY correspondent A. Valyuzhenich: "Unemployment: Is It As Bad As It Is Made Out To Be?"]

[Text] **On 1 July, official registration of the unemployed will begin. Their projected number is between 10 and 30 million people. Will our devastated economy be in a position to take yet another blow at this time? How can its consequences be mitigated? This is what our correspondent G. Valyuzhenich discussed with A. Shokhin, director of the Institute of Employment Problems of the USSR Academy of Sciences and academician of the Russian Academy of Natural Sciences.**

[Valyuzhenich] Aleksandr Nikolayevich, what is the most realistic projection of the expected number of the unemployed, to your mind?

[Shokhin] In 1990, four million people sought help from employment services; two million people out of these are unemployed if we apply international methods for defining unemployment. The official expectation is that another seven million people will register by the end of the year. At present, nobody is able to give a precise number.

If we assume that the volume of production declines by 10 percent, not all individuals released will end up unemployed. A certain segment will find work on their own; some will switch to part-time employment; some enterprises will prefer to merely furlough their personnel for a period of time. New forms of self-defense will appear. The severance of interrepublic relations will also affect the level of unemployment. If interrepublic deliveries fall to 40 percent this will result in between 15 and 19 million unemployed.

Therefore, the most realistic rate of unemployment is eight percent of the total population. This means between 10 and 12 million people. For example, such unemployment rates are characteristic of Western countries during the hardest periods of their development.

[Valyuzhenich] How many people will the system of job placement be able to "absorb?"

[Shokhin] It is expected that 2.5 million people will be referred for retraining, 1.5 million will be assigned to public projects, and about two million will become unemployed and draw benefits.

It is planned to offer preferential conditions for retirement before reaching the retirement age. In addition, it will be possible to use this segment of the populace for public projects.

[Valyuzhenich] What do "public projects" mean?

[Shokhin] They mean unskilled work in the construction of roads, hospitals, and schools, area cleaning and landscaping, and tree and shrub planting along the streets. However, this program needs to be worked on more thoroughly, and we should not attach hopes to it.

[Valyuzhenich] How is the system of retraining, the creation of new jobs, and the payment of benefits to the unemployed going to be financed?

[Shokhin] The Union Employment Fund is being set up for this purpose, to which each enterprise will contribute one percent of the wage fund. Ten percent will be financed from the Union budget, and the rest will be financed by the republics. At this point, a fund in an amount of five billion rubles [R] is expected.

[Valyuzhenich] Do you think that this is enough?

[Shokhin] Everything will depend on whether the number of the unemployed soars, and also on the size of the benefits. It is possible that this money will only last three to four months because benefits are pegged to minimum wages, and the latter in Russia, for example, already come to R195.

[Valyuzhenich] For example, trade unions come out in favor of benefits coming to 100 percent of the average wage. Why should someone suffer because his enterprise has been closed through no fault of his own, say the trade unions.

[Shokhin] In this case, dynasties of the hereditarily unemployed may appear in our country.

The size of the benefit should be such that, on the one hand, it would give an individual an opportunity "to stay afloat," while on the other hand, it would prompt him to vigorously look for a job, without displaying a parasitic attitude. The employment service will turn into a welfare office otherwise. The most rational way would be to establish a unified absolute size of benefits at a certain minimal level.

[Valyuzhenich] It is believed that the system of social protection of the unemployed is very strong in the West. The assertion that it is better to be unemployed in the United States than to draw wages in our country has become commonplace.

[Shokhin] All things are relative. If we convert dollars, which an unemployed American receives, into rubles at a speculative rate, it is possible to live off of that in our country. However, the unemployed pays in dollars rather than Soviet rubles. The benefit rate in that country is such that it compels people to find employment within two to three months. After all, in essence, it is not unemployment as such, but protracted unemployment that causes trouble. For example, the share of the unemployed in Sweden is one percent, and they are complaining that stagnation has set in in the labor market. In the United States, the share of those unemployed for a

long time is low, despite the rate of unemployment being high, 8-9 percent. The situation in Europe is worse; the rate of unemployment is lower, 5-6 percent, but more than one-half of the unemployed have been so for more than a year. It is believed that if someone has been unemployed for more than a year, he can no longer find work.

[Valyuzhenich] If someone receives benefits, will he be able to make money on the side, on temporary labor contracts?

[Shokhin] No. The payment of benefits is based on the individual not having other sources of income.

[Valyuzhenich] However, this cannot be monitored.

[Shokhin] Why? For example, special monitoring of this exists in the United States. A special commission may come to your home, open your refrigerator, and verify the standard of your current consumption. If your refrigerator is packed with gourmet foodstuffs, which you cannot afford with your benefit, per capita income on the consumer basket of products is withheld from you. Nobody pays anyone excessive money.

[Valyuzhenich] Does the fueling of fears associated with unemployment appear somewhat absurd to you at a time when there is a labor shortage wherever we look? For example, let us look at the service sphere. This sphere alone may "absorb" millions of people. What about huge expanses of land which is not farmed or cared for? After all, they also await human hands patiently.

[Shokhin] You are right. This is why, as I see it, we should mainly bet on setting up the sector of self-employment of the populace. The people should be given an opportunity to provide jobs for themselves and to display initiative. If a family wants to open a cafe they should be welcome to it. If retirees want to band together and bake pies, they should be welcome to it. If someone knows how to repair shoes, let him go ahead, acquire a shop, and so on. It is impossible to enumerate everything that people can do and that they are capable of. It is important to merely eliminate all kinds of obstacles in their paths, red tape in the processing of their "businesses," and knocking on the doors of the rayon soviets with requests "to authorize." We should give the individual a maximum of freedom for creative endeavors rather than turn him into a petitioner. For example, in Italy 30 percent of the able-bodied population are employed precisely in this sphere of small business, and this makes it possible to make the situation in the labor market less acute.

In addition, urban farming should be developed. Fertile land in the vicinity of cities should be primarily allocated to released individuals on the condition that for a certain period of time, three to five years, they will support themselves and their family by using this plot and will not register with the employment service. The plots should be considerably larger than 0.06 hectare. We should not be afraid to distribute land to the populace.

Of course, this will not solve the problem in its entirety. However, this will make it possible to mitigate the problem at a time when employees are being released en masse.

#### Officials' Views on Unemployment Differ

914F0266B Moscow SOVETSKAYA ROSSIYA  
in Russian 2 Jul 91 First Edition pp 1-2

[Article by L. Perepletchikov: "Two Views of Unemployment"]

[Text] Moscow—So, the first officially unemployed individuals of our country got registered yesterday. The precise number of people who have lost their jobs through no fault of their own will not be determined right away; months, and perhaps years will be needed. At present, statistics indicate only an approximate number of able-bodied individuals who are not employed for various reasons; 13 million of them are counted. Of course, quite a few of them will not be recognized as officially unemployed. There are formidable predictions of a forthcoming abrupt increase in the number of unemployed in conjunction with a transition to a market economy.

At the same time, these voices are heard: What kind of fatal future unemployment are we talking about, given that at present there are announcements posted at the gates of almost all enterprises inviting people to get a job, and given that there are entire regions and industries which experience continuous labor shortages? All that is necessary is to restore elementary order, and we will live without millions of unemployed right away.

It would appear that there is a gulf between these two points of view. Meanwhile, both are right in a certain sense. The difference is only in their vantage points. By way of an example, let us quote the views of participants in the second plenum of the All-Union Social Fund for Protection Against Unemployment which was held in Moscow in late June. The fund has been active for just over half a year; however, by now it has created, or almost set up, about 70 republic, kray, oblast, city, regional, and even rayon chapters. There are especially many chapters in the RSFSR [Russian Soviet Federated Socialist Republic].

Participants in the plenum are people who locally headed the movement to pool the efforts of the public to preserve the jobs of the population. We could safely count them among the proponents of the first view. However, our readers will find differences in the evaluation of the extent of the forthcoming mass unemployment and in prescriptions for combating this evil even in what these people said.

A.V. Kapustin (executive director of the All-Union Public Fund for Protection Against Unemployment, USSR people's deputy):

A transition to a market economy is unavoidable; the only issue is how this is going to occur. In the course of

a transition in stages, up to 10 to 12 million unemployed are expected. If everything happens at once, their number may increase to 40 million people. We have been sailing in uncharted waters in the course of both our movement toward a planned economy, and that in the opposite direction. There is no such world experience. The experience of East European, formerly socialist, countries, which is not quite suitable for us, rather bears out the concept that unemployment grows as a market economy draws nearer. Almost 50 percent of the able-bodied populace actually ended up unemployed in the former GDR.

Everything is more complicated in our country because of our poor preparations for the forthcoming trouble. Registration of the unemployed began on 1 July but only in five republics out of 15—the RSFSR [Russian Soviet Federated Socialist Republic], the Ukraine, Belorussia, Kazakhstan, and Kyrgyzstan—had direct-effect republic laws, which are called upon to detail the Basic Legislation of the USSR and the Republics on the Employment of the Populace, been adopted by this time. The financial base for paying benefits is not sufficiently formidable. Funds must be provided from the state budget, which is running a deficit, from one-percent withholdings from the labor remuneration funds at enterprises, and from voluntary donations. Broad circles of the public should come to the support of the state at this difficult time.

**A.A. Korshunov** (USSR people's deputy, member of the USSR Supreme Soviet Committee for Construction, member of the board of the All-Union Social Fund for Protection Against Unemployment):

Having worked as a metal worker at the Tashkent Aircraft Production Association imeni V.P. Chkalov for many years, I have had an "inside" view of unemployment in Central Asia. On the one hand, there are masses of unattached people, whereas on the other hand, my own plant needs no fewer than 1,500 workers daily. It appears to me that this is due to our lack of organization, our reluctance to really tackle this problem. There are so many things that are not produced; there is a lack of both goods and services, whereas at the same time people loaf around without work. Let us look at, for example, the construction sector of Uzbekistan, on whose operation depends the resolution of both the housing issue and the economy on the whole depend. Wages in the sector are no lower than 1,000 rubles [R], but nobody is eager to become a construction worker in Tashkent. There is one more problem—the uneven distribution of industry in the republic: it is spread thick in some places and very thin in others. Uzbekistan has become a raw-material base; its own cotton processing is negligible. It is expensive to ship raw cotton to Ivanovo and other regions, and it takes a long time. We should establish local cotton processing. In this case, new jobs will be created, our unemployment will drop, and the output of fabrics in the country will increase.

**M.V. Ikhlarova** (chairwoman of the Central Committee of the Trade Union of Textile and Light Industry of the USSR, member of the board of the All-Union Fund):

At present, there are 500,000 vacant jobs at the light industry enterprises of our country. We are communicating this statistic at the plenum of the fund in order for the representatives of industries in which unemployment is looming to know that there are places to apply themselves following appropriate retraining. At the same time, the severance of cooperative ties and a lack of raw materials affect us a lot. Millions of pairs of footwear have piled up in the warehouses, for which soles made of imported materials are not available.

As I see it, one of the most significant tasks of the All-Union Fund is to seek from the government an allocation of foreign exchange funds with a view to preventing the stoppage of plants operating on imported raw materials. In this manner, the fund will accomplish one of the objectives stated in its charter—to facilitate the preservation of employment.

**I.V. Voronin** (deputy chairman of the Sakhalin Oblast Chapter of the All-Union Fund):

There already is unemployment on the island, despite Chairman of the Oblast Executive Committee V.P. Fedorov saying that there is "no end of work." He also heads our oblast chapter of the All-Union Fund. There is no contradiction here; this is rather a true reflection of our complex situation. The state apparatus is being reduced, but some people cannot overcome themselves and go to, for example, a cooperative or a small enterprise. A plant closes in one settlement, and workers are needed in a neighboring settlement. However, given our lack of roads, transportation, and housing, the workers cannot get there, and so on. We see facilitating the preservation of employment as our goal. Let me give you a characteristic example. There is the Tikhmenevskaya Mine on the island which is on the brink of being closed down because of its unprofitability. Meanwhile, it is the only enterprise in the settlement, and the source of support for about 3,000 inhabitants. All of us will have to think about how to help these people.

**L.A. Timashev** (deputy director of the Central Research and Scientific Institute of Economics and Conversion of the USSR Cabinet of Ministers):

I would like to address a difficult situation which is emerging at some defense enterprises in conjunction with the process of conversion. This has to do with workers and clerical employees who live in separate, frequently remote settlements with quite good amenities. Previously they worked at plants manufacturing, for example, plutonium or shells, and had appropriate professions, good earnings, and so on. At present, such products are not needed. It is either impossible or complicated to change the production lines of such a facility to household goods; a long time will be necessary. It is useless to retrain these people, because in these localities there is no other industry. Nobody is going to

leave settlements with good amenities for the unknown. Unemployment in such localities will call for special attention both from the state employment service and the All-Union Fund.

**N.N. Moskalenko** (secretary of the Cheremushkinskiy Rayon party committee in Moscow, chairman of the rayon chapter of the All-Union Fund):

Our rayon chapter is the first and for now the only one in the country. The creation of this chapter in our rayon was no accident at all. Cheremushkinskiy Rayon ranks third in Moscow in size of the population and is the most saturated with academy and branch research and scientific institutes, various design institutes, and design bureaus of defense industries.

All of them are experiencing difficulties now; allocations are being cut abruptly; economic accountability is being introduced, and staff reductions are under way. Under the circumstances, thought has to be given to drawing all forces, including those of the public, into solving the problem of unemployment.

Therefore, a kaleidoscope of statements has flashed before you. The most paradoxical thing is that there is some truth in all of them. When a market economy comes, unpredictable mass unemployment will begin. Indeed, millions will not be unemployed if "order is restored"—severed cooperative relations are brought back, along with old supply structures and planning. There was only hidden unemployment under the administrative command system. However, there also was a stagnant, outlay-hungry economy; the principle "go slow on that scientific-technical progress of yours" applied; there were thousands of unprofitable enterprises. In a word, if unemployment is to be prevented in this manner, we should return to the old tracks which lead into a dead-end siding. Since our country has opted for a path leading to a market economy, we need to think right now about how to reduce to a minimum the difficult consequences of mass unemployment.

### Various Labor Sectors Look At Unemployment Solutions

914F0262 Moscow *RADIKAL* in Russian No 22, 13 Jun 91 p 6

[Article by Vladimir Kosmarskiy, senior scientific worker at VTsIOM [All-Union Central Council of Trade Unions]: "Co-existence of Unemployment and Socialism Declared To Be Heresy"]

[Text] The principle of "complete employment under socialism" was dogmatically interpreted as an unconditional guarantee for a job and yet the co-existence of unemployment and socialism is declared to be heresy.

Even yesterday we cunningly added a question mark to the title "Tomorrow Unemployment," thus attaching a certain hypothetical character to the problem.

Today, with mass reductions becoming commonplace and with the address of the labor exchange being sought in the publicized announcements, we still do not believe in unemployment—assuming that we are not personally affected by the dismissals.

The new forms of management, which are changing the situation in the sphere of labor, and the inevitability of the new principles of distribution are arousing our hostility, since they do not conform to our traditional values and motivations.

But awareness of the fact that unemployment is an inevitable attribute of market relationships is gradually beginning to conquer the minds of the specialists, despite the fact that there are still a large number of advocates of the concept which holds that unemployment under socialism may arise solely as a result of mistakes in planning and administration.

But time passes...

Public opinion polls conducted by VTsIOM [All-Union Central Council of Trade Unions] in 1988-1990 registered a change in the attitude of the country's population towards unemployment, with unquestionably more tolerance being shown towards this problem. This is borne out in Table 1 in the distribution of responses to the question "Of the opinions expressed concerning unemployment, which do you agree with most?" (in percent of the number of persons polled).

Table 1

	December 1988	November 1989	December 1990
Unemployment in our country is intolerable	58	45	39
Unemployment is a completely endurable phenomenon	17	6	20
Unemployment on a small scale is even useful	17	22	18
Unemployment is needed for efficient economic management	13	11	9
Found it difficult to answer	12	16	14

However, a number of important aspects should be emphasized. First of all, the attitude towards unemployment is directly associated with its scales: the population is inclined to accept its existence, but on a limited scale. The number of radicals who consider unemployment to be the strongest negative stimulus insofar as raising managerial efficiency is steadily declining. Thus it can obviously be stated that social tension in society will not increase sharply only if the number of unemployed workers does not increase and if the very economic processes which resulted in the appearance of these unemployed workers are controlled.

Secondly, under modern conditions an estimate of the unemployment phenomenon by society is incomplete since, despite the dramatic development of events in this sphere, we still are unable to discuss the true existence of mass unemployment in a majority of regions throughout the country.

But judging from all appearances, the time for discussing the probability of the appearance of unemployment has already passed: even at the beginning of 1990, one out of every two residents of the country who were polled (49 percent) believed that we already had unemployment (one third or 34 percent held an opposite point of view and another 17 percent simply found it difficult to form an opinion).

Certainly, we must not overlook the fact that a considerable portion of the population still does not reject the possibility of unemployment arising and existing among the population as a result of purely ideological motives.

Once we have unemployment in society, there will be people who, regardless of how hard they might wish, will be unable to find work for a variety of reasons. These reasons themselves can say a great deal regarding the character and type of the unemployment. But equally important is the knowledge of which of these reasons, in society's eyes, can transform a lack of work into unemployment and non-workers into unemployed persons.

Table 2 reveals how the population viewed the very essence of unemployment during the middle of 1990.

Table 2 (in % of the number of persons polled)

	This is unemployment	This is not unemployment	Experienced difficulty in answering
An individual is fired and unable to find any type of work	59	27	14
An individual is fired and unable to find work in his specialty	22	60	18
An individual is fired and unable to find work at his former wage level	8	73	19
An individual is fired and unable to find any type of work in his city (rayon)	32	49	19

As you can see, only a situation in which an individual is unable to find work for himself is indisputably considered to be unemployment. Judging from all appearances, a temporary lack of work owing to one's inability to find work suitable in terms of one's skill, wage level or proximity to his living area is not viewed as unemployment.

Obviously, such a notion is still quite undeveloped. Indeed the effect of the latter group of factors more often than not forces an individual to search for work over an extended period of time. It bears mentioning that public opinion here is more conservative than recently adopted legislative documents enacted for the purpose of regulating a lack of work—in these documents, much of that which the population is inclined to reject is viewed as unemployment.

The appearance of unemployment confronts society with the need for creating a socio-economic mechanism for assisting this category of citizens.

Use is being made in international practice of a number of systems for furnishing such assistance, the elements of which include unemployment benefits, insurance in the event of unemployment and the organization of public works, retraining services and the requalification of those left without work. We also have experience in organizing assistance for unplaced workers; however, it is 20 years old and cannot be used in the absence of substantial changes and corrections. In what direction should these corrections be carried out in order to take into account the hopes and aspirations of those left without work? This requires answers to the following: who must concern themselves with the problems of unemployed workers and how are those people "left out on the street" to conduct themselves?

Table 3 reveals the sources for furnishing assistance to unemployed workers, as noted by representatives of various groups who were polled in late 1990.

**Table 3 "In your opinion, who should furnish material assistance to people left without work during the period that they are looking for new jobs?" (in % of the number polled for each group)**

	The state on a centralized basis	Republic and local soviets	Charitable organizations, funds	Trade unions	Enterprises that discharged the workers	Discharged workers must rely upon their own resources	Experienced difficulty in replying
On the whole	24	7	3	25	39	7	8
Including:							
—Leaders of enterprises, institutes, organizations	25	7	4	23	40	7	9
—Specialists (engineers, doctors, teachers, scientific workers and others)	31	11	3	29	36	6	4
—Office workers	22	6	3	21	40	6	7
—Manual workers	24	5	3	23	39	7	8

The answers were quite eloquent: the population has a clear understanding of who can and must furnish assistance to the unemployed. Moreover, its views differ considerably from the country's officially adopted model.

The labor market cannot be regulated if the administrative organs engaged in this work do not present themselves as likely models for the behavior and movement of workers, especially under the extreme conditions posed by the developing unemployment.

It is noted that the situation has changed substantially over the past year and a half.

First of all, there has been an increase in the confusion surrounding all categories of workers in connection with the prospect of being without work (during this period, the proportion of people not knowing how they will conduct themselves if they remain without work, increased by a factor of 1.3 to 2.8).

Secondly, there has been an increase in the "severity" of the requirements presented by a considerable number of those polled with regard to their possible work places (the proportion of workers prepared to wait until jobs of equal value are found has increased in various categories by a factor of 1.4 to 1.8).

Thirdly, there is a greater probability of a particular situation arising: an intensive inter-sector overflow of manpower as a result of "reductions" in the job placement process (the proportion of people who intend to engage in private work activity and to start their own endeavors has increased among workers belonging to various socio-official groups by a factor of 1.2 to 2.8, with the number of persons selecting this solution steadily expanding—today this variant is most attractive to workers possessing relatively low skills).

Fourthly, the probability of resorting to various forms of protest in situations involving possible complications in the use of manpower in the labor market.

The existence in the consciousness of people of such concepts as the severity of the requirements imposed with regard to one's place of work, growth in confusion and, it follows, in unpredictable behavior in incidents where an individual is deprived of work and the popularity of turning to various non-economic methods for solving this situation prompts the conclusion regarding the possibility of an extremely sharp social reaction to an intensification of the difficulties associated with job placement and the development of mass unemployment.

#### **Poll Shows Growing Numbers Wish To Work Abroad**

*914F0267A Moscow RADIKAL in Russian No 18, 10-16 May 91 p 5*

[Article by Vladimir Kosmarskiy, senior researcher at the All-Union Center for Public Opinion Studies, under the rubric "Quo Vadis": "Export of Labor Is Coming"]

[Text] It was so, so recently that we despised emigres. It was only yesterday, or even this morning, that we were warily talking about a "brain drain," not knowing for certain whether it was a disaster or a potential benefit. Now, however, we have moved towards a calm conversation about the preconditions for including our economy in the international division of labor, and note as a matter of fact that the EXPORT OF LABOR IS COMING.

In March, 1991, the All-Union Center for Public Opinion Studies conducted a survey on a number of current and future issues related to emigration; the survey has been conducted in the Ukraine, Belorussia, Estonia, Armenia, Azerbaijan, Kazakhstan, Uzbekistan, and Kyrgyzstan, as well as in Moscow, Vladimir, Kuybyshev, Voronezh, Norilsk, Kemerovo, and Irkutsk Oblasts and in the Udmurt ASSR [Autonomous Soviet Socialist Republic] of the Russian Federation.

### Do Soviet Citizens Want to Work Abroad?

Answers to the question "Would you want to go abroad?" attest that such desire is widespread among the populace of our country: 56 percent of respondents answered affirmatively; 33 percent answered negatively; and one out of every 10 respondents said they had not thought about it. Among those who had already been abroad before, seven out of 10 said they would want to go abroad, while among those who had never traveled abroad only every other wanted to do so.

The structure of subjective goals is clear from the answers to the question "For what purpose would you want to go abroad?" (in percents to the number of respondents who said they wanted to go abroad).

As a tourist	63
To work	15
For study or on-the-job training	9
For permanent residence	8
On a business trip	6
To visit family or relations	5
For other purpose	1
Not sure	4

The desire to travel abroad to work is second only to the desire to travel as a tourist in the frequency of responses. Also, the share of those who want to go abroad for this purpose is higher among those who know about foreign lands not by hearsay but from experience: Among those who had been abroad before the number of those who want to work there is 1.5 times higher than among those who have never been outside of our country.

The survey results permit several general conclusions to be drawn: the "first wave" (those already leaving for long-term work commitments in the nearest future) of "fixed-term" labor emigration consists of the "cream" of our labor force. The "second" wave (those who at this time only wish to go abroad for this purpose) has a lower education level but, on the other hand, consists of younger people. Western employers, of course, will always be more attracted by skilled labor, which probably will constitute the bulk of export from our country. At the same time, the opportunity to select, which is offered by large contingents of not too skilled but highly adaptable—because of the youth—potential emigres may lead to the situation that the "second" wave of labor export will include a considerable number of young people. The consequences of this process will probably be varied, but in both cases they will have a negative effect on the development of the situation in our country. It is true, however, that emigration abroad on a long-term contract, because it is done on a limited time basis, does not lead to irreversible changes on the domestic labor market, while the benefits of it—people returning with skills, habits, and mentality that correspond to the current phase of technical and economic

development, financial revenue from people working abroad, and so on—may even exceed the losses caused by this process.

Far more dangerous for the national economy may be the "nonreturn" emigration—going abroad with the purpose of residing there permanently. Judging by all indicators, the phase where the "fixed-term" emigration is now has been long passed by the "nonreturn" emigration: The most skilled contingent of people among those who want to leave the country have already done so. It seems that the most significant factors that are the basis of today's "nonreturn" emigration are different: reunification of families, ethnic and national persecution, and so on, which has led to the situation where the social structure of "nonreturn" emigres now reflects the social structure of the USSR population as a whole and contains a smaller number of representatives of "elite" socioprofessional groups.

### Subjective Evaluation of the Quality of the Labor Force for Export

Do Soviet workers consider their level of professional skills and knowledge sufficient to work in the new conditions? Judging by all indicators, general fear that the quality of labor force does not correspond to the requirements it will face abroad is widespread among the respondents. In answer to the question "What are the main difficulties people encounter in connection with going abroad?" practically every sixth respondent (15 percent) noted "insufficiently high level of our workers' skills" and as many (17 percent) put among the main difficulties "unpreparedness to live and work in an unfamiliar environment." These are the main factors, in the popular opinion, that create obstacles in the export of labor. By frequency, these responses are behind only such reasons noted by respondents as the "absence of exit law" and "difficulties in getting a visa."

Among those who intend to realize their desire to work abroad in the nearest future, the fear of being unprepared for this work is considerably less pronounced, which is quite understandable, since for them the decision in regard to the possibility of such work has already been made; this has moved these fears to the background, making them more of a factor of general psychological insecurity. Nevertheless, even in this group every one in 20 respondents still noted among the main difficulties he had encountered "insufficiently high level of skills for work abroad," while one in 14 pointed out in this respect "skill or profession that is not suitable for working abroad."

### The Nature of Soviet Workers' Activities Abroad: Expectations and Readiness

How do the respondents visualize working abroad; what kind of work will Soviet citizens most likely do there? Responses to the question "What kind of work awaits the majority of Soviet citizens going to work abroad?" (in percentage of responses by groups) permits us to get a certain opinion in this respect.

Table 1

Response Options	Groups of Respondents					
	Total	including				
		Those Who Wish To Go Abroad		Those Going in the Near Future		
Same work they do now in the USSR	6	8	6	18	13	
Work in same profession they have today but at lower skills level	16	23	37	24	57	
Most unprestigious and unskilled work	40	48	41	53	26	
Not sure	38	21	16	5	4	

One can see that quite a few respondents assume that the majority of those who go to work abroad will have to pay for this opportunity by agreeing to work at a lower professional and skills level and in a lower position.

At the same time, in talking about being personally prepared to work in circumstances that are worse than the current ones, the picture changes: The majority of emigres are quite demanding in respect to their work. As an illustration, responses to the question "What work would you agree to do abroad?" (in percentage of respondents by group).

Table 2

Response Options	Groups of Respondents					
	Total	including				
		Those Who Wish To Go Abroad		Those Going in the Near Future		
Only work in my professional field on the same level as now	29	19	19	50	4	
Work in my professional but possibly at a lower skills level	26	35	25	28	50	
Any work, including most unprestigious	14	16	25	11	25	
Not sure	22	11	21	5	17	

It is interesting that people going abroad permanently have considerably lower requirements towards the work they are willing to do than those who go to work on a contract. Of course, the notion of a potential job and the possibility of choice is much more vague among the first group than among the second.

There appears to be a psychological interrelation: The more optimistic picture the respondent paints for himself in regard to Soviet people's work abroad, the higher demands he puts on the type of work he would do. In any case, among the respondents who believe that the work of the majority of Soviet citizens abroad will be no different from the one they do in the Soviet Union both in terms of skills and the professional status, almost

one-half (46 percent) are agreeable to work abroad only in their own professional field and at no lower level of skills than now; only one in seven among these would take any job. At the same time, among those who believe that Soviet people abroad are doomed to most unprestigious and unskilled jobs, about one-third (29 percent) are willing to take any job, and only one in 50 (two percent) puts forward a requirement for professional and skills level of work abroad to correspond to the current one.

On the whole, judging by the results of the survey, the attractiveness of working "there" is the prevailing factor. In any case, representatives of practically all groups are ready to compromise on the prestige and the level of professional skills for an opportunity to work abroad.

**Role of Consumer Co-Ops In Agrarian Politics**  
*914F0260A Moscow ZEMLYA I LYUDI in Russian*  
*No 23-24, 14 Jun 91 p 12*

[Article by S. Kuzmichev, 1st deputy chairman for administration of the Central Union of Consumers' Societies: "Not Competitors But Businesslike Partners"]

[Text] Today, with a serious discussion taking place on the methods for developing agriculture and on the socio-economic transformation of the rural areas, mention must necessarily be made of the place and role of consumer cooperation in this process. Closely aligned to life in the countryside, this large-scale socio-economic organization, to no less a degree than the kolkhozes and sovkhozes, has experienced the defects and flaws of our agrarian policies and the consequences of the administrative-command methods of administration.

The state entrusted consumer cooperation with important obligations in the area of providing trade services for the rural population and at the same time it limited its independence and opportunities for maneuvering.

Its role as a state procurement specialist was an unenviable one. The organizations of consumer cooperation bore material and administrative responsibility for the volume, assortment, quality and timeliness of the deliveries to the all-union fund for potatoes, vegetables and melon crops. In the process however, they possessed no rights with regard to exerting influence on the producers of these products. In conformity with the existing statute, they were obligated to accept from the kolkhozes and sovkhozes all products made available, including products which were not ordered and for which there were no marketing channels.

The proportion of consumer cooperation with regard to centrally allocated commodity funds has always been lower than the proportion of the population serviced and this has resulted in a sharp lag in the per capita consumption of the rural population compared to the city population. For all practical purposes, consumer cooperation does not trade in animal husbandry products at state prices. There are scarcely enough such products available for hospitals, kindergartens and other budgetary organizations.

In order to reduce the dependence upon state funds and satisfy consumer demand more fully, consumer cooperation purchases agricultural products from the population and sells them either fresh or in a reprocessed form. Towards this end, rural subsidiary farms are being created for the fattening of livestock and poultry, the growing of early vegetables and for fish breeding and also enterprises for the production of non-food consumer goods using local resources and secondary raw materials. At the present time, the proportion of commodity resources of Tsentrosoyuz [Central Union of Consumers' Societies] is 22 percent of the overall retail commodity turnover and the proportion of foodstuffs in the turnover of food goods—40 percent.

However, this activity was earlier held back by the existing practice of state planning, wherein the volumes of internal production were not taken into account in the commodity payments and thus the centralized funds declined accordingly. Instead of an additional source for supplying the population, internal production often became the only channel. And this meant that the rural population was forced to purchase an increasingly greater quantity of food goods at prices higher than the state retail prices, since they were produced from raw materials purchased at contractual prices.

The life of our organizations has been complicated considerably by restrictions established by local organs on the exporting of agricultural products beyond the borders of the republic (kray, oblast, rayon) and also by prohibitions imposed by kolkhoz leaders upon the members of kolkhozes preventing the latter from turning meat over to consumer cooperation procurement organizations under threat of being deprived of assistance in the form of young stock, feed and grazing land.

But consumer cooperation did not stand idle even in the face of these restricting conditions. Instead, it continued to develop and it increased the volumes and types of its activity. At the present time, its proportion of the country's retail commodity turnover is 26.8 percent, state purchases of potatoes—43, melon crops—40, wild fruit and berries—approximately 60, wool and furs—33-35, hides—50, and fur raw materials—94 percent. Its contribution towards supplying food for the population is increasing: consumer cooperation enterprises produce 12 percent of the sausage products, 13 percent of the canned goods, 16 percent of the non-alcoholic beverages and one third of the country's overall bread production. Its contribution to the budget is more than two billion rubles, or 58 percent of its overall profit. By no means is this the limit of consumer cooperation's potential.

The law governing cooperation, which proclaims the long-awaited freedom for cooperative forms of management, has been adopted. However, yesterday for consumer cooperation, with its unequal status in the national economy, has still not ended. The country is standing on the threshold of the market, and consumer cooperation, which for all of these years, it can now be said, was the only center for market relationships, is now having to resolve the question: how to survive? And not simply survive, but rather to become a true socio-economic organization capable of protecting the interests of the peasants.

As yet, this task still has many unknowns. New difficulties caused by the country's aggravated crisis situations, low delivery discipline, the retail price reform and the new credit policies have only added to the unresolved problems which consumer cooperation confronted in connection with perestroika. This year has seen the introduction of a new price formation system, according to which all expenses for deliveries of goods from suppliers are related to trade. The expenses for social

insurance have increased considerably, an economic stabilization fund has been introduced into operations and the coefficients for paying for shipments of goods and also expenses for the use of gas, water and electricity have been raised.

It is obviously appropriate to recall that consumer cooperation has continued since the pre-October times, owing to the fact that the state lacked the logistical, labor and financial resources needed for organizing services for the rural population and it used consumer cooperation as a ready-made system for the distribution of products. Our system has always developed by means of self-financing and throughout has been accustomed to relying upon its own resources. But at the present time it is unable to endure losses. First of all, because it must compensate for a lower standard of living for three and a half million of its workers. Secondly, a need exists for building new enterprises and modernizing and technically re-equipping existing ones, since there is no permanent trade network for servicing 100,000 populated points, albeit mainly small ones. They are serviced by a mobile trade. Thirdly, because the proportion of internal resources in the turnover is extremely low and does not exceed an average of 26 percent for the system.

The change in the economic mechanism and the development of a diverse economy in the agrarian sector are confronting consumer cooperation with an absolutely new situation and are forcing its organizations to improve their operational style and the forms for organizing its activities and also to establish mutually advantageous contacts with enterprises and organizations of the agro-industrial complex. But regardless of how complicated the work of consumer cooperation will be under the conditions of a market economy, it will view the kolkhozes and sovkhozes not as competitors but rather as businesslike partners.

The fruitful experience of such collaboration must not be overlooked. Many kolkhozes and sovkhozes are providing consumer cooperation with diverse services, some of which require payment and some of which are free of charge: motor transport equipment is being allocated for delivering goods and exporting finished products, facilities are being made available for trade enterprises, public catering and other installations, and using their own resources they are building stores, dining halls and bakeries, which the cooperative organizations subsequently purchase or lease. The kolkhozes and sovkhozes

pay part of the expenses for maintaining them and they furnish assistance in the selection of salesmen and providing them with housing.

During the 1986-1990 period, 18,900 stores were built in consumer cooperation, of which number 7,500 or 40 percent were built using kolkhoz resources. In Moldova—more than 70 percent, the Ukraine, Belorussia and Lithuania—approximately 60, and in the RSFSR—almost 45 percent of all stores. Unfortunately, by no means has such mutual understanding been achieved in all areas. In the republics of Central Asia and in Georgia and Azerbaijan, where there is a shortage of stores in the rural areas, there clearly can be no boasting in this regard.

Meanwhile, there are many contact points where the interests of consumer cooperation and those of kolkhozes come together. They are to be found in the spheres of sales and in the processing and storage of agricultural products and raw materials. The procurement organizations of consumer cooperation must learn to live not on the basis of work orders, plans and tasks, but rather according to the laws of the market, laws which are based upon accurate knowledge of the competition. This will then become for the peasants a reliable and profitable channel for marketing their agricultural products and raw materials. It is our opinion that joint multiple-profile enterprises in the form of joint stock companies with limited responsibility are making it possible to coordinate the development of the logistical base from a regional standpoint and to avoid duplication in the creation of additional processing capabilities and storage bases.

Consumer cooperation is prepared to initiate the creation of associations for servicing private plots, leaseholders, agricultural cooperatives and orchard and gardening associations. Jointly with the already formed associations of peasant farms and agricultural cooperatives, it will furnish better assistance in supplying the agricultural workers with small items of agricultural equipment, mixed feed, mineral fertilizer, construction materials and other goods of an economic nature. In addition, it will create the conditions needed for guaranteed purchases of the products grown and for their on-site processing, including on a customer-supplied basis.

These and other forms of interaction are enriching economic life in the rural areas and are making it possible to satisfy more completely the requirements of the country's population for food products.

## CIVIL AVIATION

## Air Traffic Control System Shortcoming Examined

914H0208A Moscow KRASNAYA ZVEZDA in Russian  
21 Jun 91 First Edition p 2

[Article by Colonel A. Yudenko, deputy chief of a department of the Unified Air Traffic Control System of the USSR: "Let Us Not Economize on This..."]

[Text] Many people naturally remember that an Il-76 military transport crashed on its approach to Leninakan Airport on 11 December 1988 when it was providing assistance for earthquake victims in Armenia. The crew and 69 civil defense servicemen on board were killed. The next day there was the disaster involving a Yugoslav An-12 on its approach to Yerevan Airport.

The reason for these serious accidents is that crews failed to properly use on-board equipment over mountainous terrain. But at the same time, it was established that air traffic control organs were not coping with their professional duties to the full extent by allowing violations of procedure in the work of the ATC service and permitting several dozen aircraft of different types to be in the airport's terminal area at the same time.

Alas, problems in controlling air traffic arise under normal conditions as well. Here is an example. On 23 May last year, there was a near miss between a civil Yak-40 aircraft and a military An-12. The reason is that controllers at the Rostov ATC Center misjudged the distance between the aircraft.

The introduction of radar surveillance of aircraft in the 1960's substantially extended the capabilities of ATC systems. The traffic intervals between aircraft were shortened, which made it possible to increase airports' throughput capacity.

But the capabilities of radar systems did not prove to be unlimited. Traffic density is increasing. It is becoming more and more crowded in the air. The density of just international traffic to the USSR is increasing by up to 10 percent annually. The situation is roughly the same in other European countries. But calculations show that under the system of organizing air traffic now in use, we lack the opportunity to utilize the best possible flight-paths. This is leading to an unwarranted increase in the duration of flights and additional fuel consumption. But the basic shortcoming of the current ATC system, I repeat, is its low throughput capacity (by today's standards), which has become critical for certain airports. In addition, this system does not possess enough flexibility to adapt to the seasonal, weekly, or daily changes in air traffic density.

The network of airways in the USSR has a structure which is based mainly on the use of nondirectional homing stations and radio beacons located on the axis of airways. This system of navigation (it is also typical for

the entire European region, incidentally) also limits the throughput capacity of airspace.

Of course, changes have taken place in the organization and control of air traffic lately in connection with the opening of new, more economical airways, the introduction of automated control systems, and so forth. But the severity of problems has compelled the International Civil Aviation Organization (ICAO) to develop and propose the area navigation method for consideration in the European region, enabling aircraft to fly any assigned course without requiring that they fly over radio aids on the ground. Simply stated, it has become possible to fly the shortest route between two points.

This makes it possible to substantially decrease the consumption of aviation fuel and flight time, increase the throughput capacity and efficient use of airspace, reduce the number of radio aids on the ground, improve the opportunity to take advantage of tailwinds and other weather factors, and most importantly—to provide for flight safety more reliably by establishing parallel airways and bypass routes.

The present length of the route from Odessa to Mineralnyye Vody, let us say, is 160 kilometers longer than the shortest route, which could be established with area navigation. Turbojet aircraft such as the Tu-154 and Il-86 can cover this "extra" distance in an average 12 minutes, which requires more than a ton of fuel. Roughly the same situation applies on other routes.

But the question arises: can the area navigation method be implemented in our country? And if so, how long will it take? We are now establishing the theoretical grounds for the possibility of putting it into use in the USSR. In the first stage, we are considering the transfer of certain airways in the country to international airways in the so-called basic precision category. The newly established airways should be as close as possible to the shortest distances between takeoff and landing points.

The second stage is to make use of this method in an airport's terminal area. The third stage entails extensive automation of the ATC process and the use of aircraft equipped with the most advanced systems to provide for the precision required in holding a course.

The main obstacle to introduction of area navigation in our country is the fact that aircraft are not equipped with advanced flight control and navigation complexes enabling them to maintain fixed route parameters in automatic mode with high precision. At present, such flights can be made only by Il-86, Il-62, Yak-42, and Il-76 aircraft, as well as the Il-96-300 and Tu-204 which will be coming on line in the near future. In military transport aviation, only the Il-76 and Tu-204 can make these flights. The introduction of satellite navigation systems will make it possible for other aircraft to make these flights as well.

Series production of the U. S. "Navstar" satellite navigation display system has already been organized by

foreign firms; it determines the position of an aircraft with precision up to 20 meters, and in a few years it may make it necessary for our civil aircraft and other airway users to purchase such equipment for international flights. Use of a domestic satellite navigation system in the meantime may be considered only theoretically, although work is being conducted in this field.

Introduction of area navigation will be facilitated considerably when distance and azimuth measuring radio beacons are put into operation in the USSR. In the coming years, it is planned to equip the Trans-Siberian international airways from Moscow to Tokyo and Leningrad to Tokyo with them; this will enable aircraft to fly over an area navigation route.

Air traffic control is a more complex problem when area navigation is used. It entails difficulties in determining violations of established aircraft separation regulations and the problem of coordinating actions between neighboring ATC facilities. But while the Ministry of Civil Aviation is already coping with them, other departments have not even taken them into account.

However, unless efforts are united, success will not be achieved. The position that "this is no concern of mine" is unacceptable in resolving this problem, for it affects all aviators, including military cockpit personnel. The existing method of training crews for flight will be changed, since the inclusion of automated flight control and navigation complexes in an aircraft makes it possible to fly without the navigator's equipment and flight documentation that are traditionally used.

Experience in flights over routes with area navigation in the airspace of Western Europe has demonstrated its high efficiency. At the end of last year, 29 routes yielding substantial economic gain were in use in these countries. Calculation shows that the expenditures to introduce area navigation in our country will be fully recovered in 3 to 4 years. The annual profit will amount to 150 million rubles, and up to 800,000 tons of fuel will be saved with increased flight safety.

But what are we saving today by holding on to what is old? It is obviously time to give considerable thought to this.

#### Aviation Tariffs, Problems Examined

914H0206A Moscow VOZDUSHNYY TRANSPORT  
in Russian No 27, Jul 91 p 4

[Interview with G. Rafikov, chief of the Uzbek Administration of Civil Aviation, by VOZDUSHNYY TRANSPORT correspondent B. Sidorenko: "The Rule of the Market: The New Tariffs and the Problems Accompanying Them"]

[Text] So we have the new tariffs. What can you say about the first results of their introduction? To what extent are they helping to resolve the difficult problems facing Aeroflot under the present conditions?

[Rafikov] I will say right away that introduction of the new tariffs was vitally necessary for the sector. This was dictated by the economic situation, the condition of the material and technical base, and the unresolved problems in the social sphere that have accumulated. We prepared for this a long time ago. Beginning last August, we made calculations, considered various factors, and estimated this and that. And of course, we hoped to begin the new year with new tariffs. But unfortunately, we began the year without knowing, and the long awaited tariffs made their appearance only on 2 April.

It is common knowledge that the increase in aviation tariffs became necessary primarily because of the rise in wholesale prices for everything used in civil aviation—for aircraft, for fuel, electricity, and aircraft repair. So the new tariffs were mainly to cover our expenses from the new wholesale prices. If we had not introduced them, Aeroflot's existence would have been discontinued or else it would have had to shift completely to state subsidization.

We worked through the first quarter with the new wholesale prices, but with the old tariffs. As a result, our administration alone lost 29 million rubles [R] in income. And we had R12 million in losses. But last year we had a profit of R5.8 million in the first quarter. So you can imagine what would have happened without the increase in tariffs.

[Sidorenko] But there is another side to this action, you know—a decline in the number of persons who want to avail themselves of Aeroflot's services.

[Rafikov] Yes, the increase in rates led to a decrease in the passenger flow. In April and May, 76 percent of the passenger seats were filled in our administration, compared with 93 percent in the same period last year.

The situation that has developed on routes served by An-2 aircraft (distances up to 200 kilometers), where the prices were very low, is quite difficult. For example, we had a route from Urgench to Turtkul, 30 kilometers on a direct route. But the Amu-Darya [River] runs between these points. It takes a long time for a motor vehicle, crossing the river by ferry. This is the reason for the existence of this route. The ticket cost just R1. Naturally, we incurred a substantial loss on each flight. But under the new tariffs, there is a single price—R20—for a distance up to 100 kilometers. This route has now been discontinued. There are examples like this. We are raising the question this way: we will fly on local routes, but not at a loss. Where the possibility exists, we are lowering the tariffs, making them acceptable for us and for the passengers. And most of our local routes have been retained—between the republic's oblast centers and major industrial cities. Nevertheless, the passenger flow on local routes has decreased substantially.

If we put this in comparable prices—and we have been told to consider only comparable prices now—our operations volume is 77 percent of the volume last year. Although in last year's prices we will have more income.

But after all, the wage fund depends on this indicator. And we will be forced to reduce it by 23 percent. I do not think this is correct. The law on setting the rate for the consumption fund and tying it to the comparable prices of last year does not suit civil aviation at all.

[Sidorenko] In a word, a problem. And it probably is not the only one at this stage.

[Rafikov] Absolutely. Together with the tariff increases, the tariff distances used to determine passenger turnover were changed as well. And it turns out that the passenger turnover on the same flights and routes has been automatically reduced by eight percent. For our administration, this amounts to roughly 560 million passenger-kilometers. Which is practically equivalent to the average monthly operations volume. And it may have a negative effect on fulfillment of the state order and influence economic and social indicators, which once again hits the people in their pockets.

We are well aware that there is only one opportunity to increase wages, of course—by improving the efficiency of our work. And we are actively seeking out additional work.

As an example, PANKh aviation [aircraft used in the national economy] has practically no work today because of the disruption in aviation kerosene deliveries. In 4 months we received just 25 percent of the planned amount, no more. So even with work available, it cannot be carried out. And we have about 300 such crews, you know.

We are seeking out transport work abroad now. And not only because it involves foreign exchange. But because those limits of fuel which we receive may be used only to fulfill the state order for passenger transportation. But our cargo aircraft flying abroad are using "their" fuel, not ours.

[Sidorenko] Ganiy Mazitovich, the passenger is now waiting for a change in the quality of service following the rate increases. With the increase in ticket prices, is the service going to be improved?

[Rafikov] The passenger has a right to demand this, of course. But this is a critical matter. It seems that service has even gotten worse lately. Not from the standpoint of flight regularity, of course. We have even improved this a little—by discontinuing certain flights and a number of other measures. But as far as in-flight meals are concerned, the situation is very bad here.

Naturally, the cost of in-flight meals has sharply increased. But that is not the main problem. We have the opportunity to cover expenses with the increased tariffs. There are simply no food products to purchase and provide to the in-flight meal units. The funds allocated to us by the Ministry of Trade are clearly inadequate.

Sometimes there is practically nothing to give the passengers. Once when I flew to Moscow, passengers were given only sliced tomatoes and tea.

[Sidorenko] Perhaps it makes sense for aviation enterprises to become more actively involved in organizing direct relationships with kolkhozes, sovkhozes, and various agricultural cooperatives to enter contracts with them.

[Rafikov] We have already started this. A workers' supply department has been established at the Tashkent Airport now—in order to improve the supply of food for both passengers and aviators. The department assumes responsibility for supplying the in-flight meal units, dining rooms, and the restaurant. It contracts directly with various agricultural enterprises. Aside from this, practical steps are being taken to organize subsidiary farms under aviation enterprises which would have an active role in the ORS [workers' supply department].

We are trying to improve other types of service as well. The Tashkent Airport is now being renovated and the All-Union and international route sectors are being expanded. When the airport's renovation is completed, its throughput capacity will be almost doubled. So the lines and the crush of people will be reduced, and registration of passengers and baggage and inspection will be conducted more efficiently.

[Sidorenko] Thank you for the interview.

#### Aviation Repair Plant Problems Highlighted

914H0206B Moscow VOZDUSHNYY TRANSPORT  
in Russian No 27, Jul 91 p 4

[Article by L. Kuznetsova: "Decisive Measures Are Needed to Resolve the Subsector's Problems, Aircraft Repair Personnel Believe"]

[Text] Employees of civil aviation's Aircraft Repair Plant No. 403 have been writing to the newspaper about the critical situation that has developed at the enterprise in recent years and about the people that have been leaving, especially the highly skilled specialists, because of the low wages. They said that more than 32 percent of the plant's total work force was dismissed in 1989 and 1990, resulting in a drop in production volume, deterioration in the quality of repair, and numerous other problems.

The situation is critical at many plants, and it is not the worst at Plant No. 403. As an example, Plant No. 400 at Vnukovo lost 1,200 employees in a little over two years, but only 600 came into the collective. They now need about 650 employees here. Think about this—what is to be done here? Even before perestroika, the CPSU Central Committee and the USSR Council of Ministers issued seven decrees on developing the technical base of aircraft plants. But not one of them was implemented. And this is the situation.

Ties with suppliers and relationships with customers have practically fallen apart lately. None of the attempts to increase employees' wages with internal reserves have come to anything. Wages at the plants now average 319 rubles per month. Let us say frankly, this is not very

much for such complex and responsible work. But in a cooperative or SP [the construction industry], as an example, workers are paid several times as much, but the responsibility cannot be compared. There is a saying: the fish tries to find a place that is deeper, but man tries to find a better place, as we know. So the people keep on leaving and leaving.

Throughout almost all the subsector's existence, no one saw to it that the equipment that had completed its service life was replaced, that new equipment was installed, and that production areas were expanded. For this reason, ATB's [aircraft maintenance bases] have 34 percent of the production area they require, and ARZ's [aircraft repair plants] have about 70 percent of the area they need at present. And it comes to two million square meters today. Only 40 of the 250 ATB's have hangars, and most of the repair work must be done outdoors for this reason.

The production equipment is in the worst situation. As an example, Plant No. 403, where the letter originated, has not been able to obtain new equipment and accessories to replace the fixed capital that has become totally obsolete and is worn out.

But how can market relationships be developed in such a situation? After all, the plants do not have their own funds for reequipment. And they are not in a position to earn them now, either. It would seem that higher prices for repair may help. But they have increased because of the prices for spare parts to be used in the equipment being repaired. And the MAP [Ministry of the Aviation Industry] has inflated them considerably. Worst of all, this process is absolutely uncontrollable. The sector has been simply overwhelmed by the element of contract prices, but it is common knowledge that the prices for spare parts make up most of the cost of aircraft repair. For this reason, the cost of repair at civil aviation plants is substantially less than in the West or in the Ministry of the Aviation Industry itself. The repair of an engine for an Il-62M, for example, is 1.7 times less expensive than in the aviation industry.

Incidentally, the increase in prices makes it practically impossible to raise wages and resolve social problems, and thereby to retain skilled personnel in the sector. The aircraft repair workers' complete lack of money is destroying good and simply essential undertakings. As an example, the employees in Alma-Ata came up with a sensible suggestion—to establish a center for maintenance and repair of the Il-86 aircraft. They went out and even began building something—temporary connections, a production bay, and they renovated the hangar. But...they have not received a kopeck since 1 January, and they do not have enough funds even to pay the interest on a loan. Construction of a building at Plant No. 67 in Krasnoyarsk was discontinued as well. For the same reason—no money. It turns out that the plants which the sector's successful functioning depends upon

to a large extent have had the status of an outcast and have remained an unloved offspring for the Ministry of Civil Aviation.

But something will have to be done, otherwise something irreparable will happen. After all, civil aviation is not meeting the demand of an average 20 to 25 million passengers for air transportation now. As of today, more than 100 mainline aircraft are "tied down." This has been mentioned with alarm in the Ministry of Civil Aviation Collegium and letters have been written to VOZDUSHNYY TRANSPORT about it. And this figure may be significantly increased during the summer. According to the least pessimistic forecasts, nearly half of the fleet of Il-62M aircraft and most of the Tu-154M and Il-76 aircraft will be brought to a stop. In the 12th Five-Year Plan, the level of deterioration of Il-62, Tu-154, Tu-134 and An-24 aircraft, as well as high-thrust aircraft engines, reached a critical point. There is a real threat that the fleet of aircraft will come to a stop for this reason and that they will be written off in the coming years. This summer we will be short of 10 to 20 Il-62's and up to 20 Tu-154's to meet scheduling. The situation for other types of aircraft is similar.

Perhaps the newly built equipment will save the situation? Nothing of the sort. The cost is excessively high and the output is extremely small, so it will not make a substantial contribution in the volume of air service.

Production is being suspended at aircraft repair plants that are in operation. Entire shops are idle at Civil Aviation Plant No. 420. Dissatisfaction is already becoming stronger in Minsk. The atmosphere in the subsector as a whole is becoming "hotter." Are we likely to have a new outbreak among aviation employees?

It is time to raise the alarm. The Ministry of Civil Aviation Collegium has done this. But voices of alarm are only the first step. Drastic steps are needed—from financing to decisive steps to modernize production.

#### Aviation Accidents Recounted

##### Helicopter Missing

914H0207A Moscow VOZDUSHNYY TRANSPORT  
in Russian No 27, Jul 91 p 6

[Interview with V. Krasnov, director of flight operations of the "Tyumenaviatrans" [Tyumen Air Transport] Airline, by VOZDUSHNYY TRANSPORT correspondent A. Mokrousov: "The Psychics Did Not Help, and the Search for the Mi-8 Is Continuing"]

[Text] Tyumen—As reported, an Mi-8 of the "Tyumenaviatrans" Airline disappeared under unexplained circumstances 28 April on a flight from Abatskoye to Khanty-Mansiysk to Peregrebnoye. There were three crew members and 10 employees of SMU-4 [Construction and Installation Administration No. 4] of the "Priborudoprovodstroy" Trust on board.

After nearly two months since the accident, new search methods are being developed instead of those that have been unsuccessful, and we interviewed the leader of the search team, V. Krasnov, the airline's director of flight operations.

[Mokrousov] Vladimir Stepanovich, a few words first on the circumstances of the helicopter's disappearance.

[Krasnov] It was a fine day. The crew of Pilot Second Class V. Chechetov were to take insulation film to Abatskiy and take a workers' brigade back from their shift.

It is believed that the flight diverted from the shortest route. This consumed some time, and in attempting to cut it short, the commander made a landing near the Bolshoy Uvat Lake, which enabled him to straighten out his route quite officially. Judging from everything, he followed the same course on the return flight, although searches were made later in both directions.

The crew's last radio contact was at 1554 hours. At 1843 they were to report on their passage from the Tobolskiy MDP [local air traffic control center] zone to the Ubatskiy zone, but they did not do this. We sounded the alarm at that time. Almost immediately, other aircraft operating in the region were directed to the search; a little later, the duty helicopter took off, followed by another two.

They searched all night. But they did not see any fire or other traces of an accident. It became clear that a more methodical search must be undertaken, by quadrants. Up to 10 Mi-8 and An-2 aircraft took part in it almost every day.

A few words about what is making the work difficult. First of all there are numerous rivers, marshes and lakes which could have swallowed up the aircraft altogether. But then multicolored spots from the fuel and lubricants would have appeared on the water, and once again we did not find any.

[Mokrousov] Were any other methods added to the search from the air?

[Krasnov] Of course. We first turned to the aerial mapping specialists, but they disappointed us: in order to film the area of the presumed disaster and then prepare the materials for interpretation, they would need nearly two months. But after all, spring had come, the taiga was covered with greenery, changing to the point that it was unrecognizable, and many of the indirect signs that photography could reveal would look completely different by the time of the search.

Then we turned to the public for help. The SMU-4 even announced a reward of 10,000 rubles to anyone helping to locate the aircraft and those on board, but without results.

In addition, we even brought in psychics. We worked through a flying day with two of them from the capital's

center of nontraditional medicine, and aside from the overworked nerves of all participants in the experiment, once again nothing happened.

We are checking all reports, even the most fantastic ones. I have a pile of letters and telegrams on my desk from people involved in psychic activity. "Look in quadrant 276." There are five of these quadrants over an area of 30,000 kilometers, but we searched and checked all of them. Another report: "The people are 30 kilometers from the village of Orehovo." Everyone checked the charts, but unfortunately, this village was there.

[Mokrousov] Vladimir Stepanovich, some newspapers, KOMSOMOLSKAYA PRAVDA, for example, have carried reports alleging that the search has been curtailed.

[Krasnov] We cannot consider this. People are missing, and we want to believe that at least some of them are alive. This tragedy will cost the airline a great deal, of course. Just the flights over the area of the presumed tragedy, without taking anything else into account, have already cost roughly one million rubles. The search program we are preparing today is not inexpensive, either.

[Mokrousov] The radio buoys which are activated automatically in PANKh aviation [aircraft used in the national economy] would probably cost much less.

[Krasnov] There is no question that they are less expensive, but not all the helicopters are equipped with them at present.

[Mokrousov] So what is involved in the new stage of the search?

[Krasnov] Primarily that specialists from the State Rescue Coordination Center (GASKTs), as well as the Central Geophysics Expedition of the PGO [Geological Production Association] "Novosibirskgeologiya," have undertaken to provide practical assistance. We will be searching with magnetometers from the air, the land, and the water. Under the water especially. The geologists will provide us with a detailed chart literally within days showing the measurements of rivers and lakes. This will simplify the work considerably by narrowing the scope of the search.

[Mokrousov] Let me make an assumption. The search is being conducted at present over a wide area, but it is outlined by the presumed route of flight, all the same. Couldn't the crew have left the route and gone quite far? In order to pick up someone—a hunter or fisherman—in the taiga, let us say?

[Krasnov] I do not want to believe this. Vyacheslav Anatolyevich Chechetov is an experienced and disciplined commander, and it is unlikely that he permitted this. Besides... In the mid-1970's I had occasion to take part in the search for an Mi-8 which had disappeared on a flight from Vorkuta to Berezovo. It was thought that it had become lost somewhere near the Baydaratskaya Guba, in the foothills of the Polar Urals. However, we

found only an Li-2 which went down in 1948, but the "shesterka" [literally, flight of six aircraft, but evidently referring to the Mi-8] was discovered many years later by reindeer herders.

[Mokrousov] The situation here is different.

[Krasnov] Of course. The weather was excellent—on the day the helicopter disappeared, and throughout the weeks we have been searching. There are no mountains here. But there is an endless taiga and lakes and marshes which could conceal not just an Mi-8. But we must find it.

[Mokrousov] Well, let us hope...

### Helicopter Crashes

914H0207B Moscow VOZDUSHNYY TRANSPORT  
in Russian No 27, Jul 91 p 6

[Article by VOZDUSHNYY TRANSPORT correspondent G. Kostenko: "Rescuing the Rescuers"]

[Text] Nalchik—An Mi-8 helicopter from the Nalchik Aviation Detachment carrying tourists made a forced landing on Mount Elbrus in early April. Aviators viewed this as a normal occurrence: haven't there been enough failures of engines and other systems on helicopters lately? The main thing is that the people are safe. But the fact is that this incident became the cause of another tragedy—the Mi-8MT military helicopter that was sent to rescue those people in trouble crashed. The crew, the specialists on board, and one foreigner were killed. The tragedy of the situation is intensified by the fact that both helicopters—the civil aircraft and the military one—which were designed for search and rescue operations were on alert duty.

Let us consider why this could happen in organizations which are called upon to rescue others, and let us look into the Nalchik and Sochi bases that were built up recently. Especially as this has been mentioned more than once in the pages of VOZDUSHNYY TRANSPORT.

### A Little History

The country has had tragedies before establishment of the Unified Search and Rescue Service: Chernobyl and Novorossiysk, Armenia and Svenetiya, Ufa, and a number of others. At a time when services such as these have been operating for many decades throughout the entire world, perfecting their skill and being technically equipped, we relied on each department developing its own search and rescue service, which would be in a position to cope with major accidents and disasters, in the opinion of the country's leaders at that time. The lack of any reliable information led to complacency and created the outward appearance that everything was well here. The public was sobered by the subsequent tragedies.

There was a peal of thunder. We all crossed ourselves, and the country's Unified Search and Rescue Service

was born. Has it corrected all the omissions that were typical of most of its predecessors? No. On the contrary, our troubled time has added new ones. The forced landing of the Mi-8 on Mount Elbrus and the disaster of the military Mi-8MT confirm this conclusion.

### The Market Is Pushing Us Into Violations

In accordance with the decree on regional search and rescue bases (RPSB), aircraft and personnel should be at their bases continuously, prepared to take off at any moment with full equipment to help persons in distress. The aircraft may be activated within the limits of a 30-minute flight from the base airfield for other operations, but hardly anything substantial can be accomplished or money earned in this time. After all, the paltry sums which the state releases to maintain the RPSB will not cover the mounting expenses. The removal from production of an aircraft as highly productive—and most importantly, as highly profitable—as the Mi-8 is forcing the aviation detachment's management to look for loopholes to earn a living. For example, they can carry tourists within the small Kabardino-Balkar region, and this wealth cannot be denied.

So they began doing this. And they made haste, because competition for the civil rescuers developed from their colleagues—the pilots of the VVS [Air Forces].

So it was Thursday, 4 April. The Mi-8 helicopter left Nalchik, taking the tourists to Mount Elbrus.

A report was received at 1000 hours that it had made a forced landing because of engine failure. The altitude was about four kilometers. The crew, two tourist guides and five mountain skiers waited for help. At 1020, two military helicopters were ready to take off, but they were waiting for authorization to depart from the Air Forces Headquarters in the SKVO [Northern Caucasus Military District]. It was received only at 1500 hours. The lack of efficient interaction by the military and the lack of information in the civil services about what had happened made it impossible to conduct rescue operations in good weather. But when the military helicopter took off, the weather had taken a turn for the worse. And it returned to base. The situation was no better on the ground. Information on the forced landing arrived at the PDSU [the search and rescue unit] of the SKU GA [North Caucasus Civil Aviation Administration] at noon. A day passed while everyone held discussions and coordinated. No one knew if there were sick or injured persons there on Elbrus. In the next two days, the events led to the disaster of the military Mi-8MT and the deaths of individuals who had nothing to do with rescue operations, including a German businessman.

### The Volume, the Base, the Equipment, and the Personnel

Establishment of the Nalchik and Sochi search and rescue bases in coordination with the Simferopol RPSB had the objective of providing search and rescue services for the Air Forces of the Northern Caucasus Military

District and airports in the North Caucasus, Southern Russia and the Transcaucasus in the event of disasters and to provide assistance to victims. The rescuers' range of operations is extensive: any natural disaster, forest fires, railroad tragedies, a shipwreck at sea, work under water, and even rescuing the crews of spacecraft that are launched. If required they can conduct chemical and radiation sampling.

Yevgeniy Kuzmich Galchenko from Rostov, a well-known specialist in accident and rescue operations in our sector, has made over 8,500 jumps and has given our rescue workers the highest marks in these exercises. The Novorossiysk tragedy at sea and the rail disaster at Gantiadi confirmed this opinion. So the RPSB has well-trained personnel, capable of risking their own lives to perform any tasks, and at the same time, these people do not have social protection.

Let us touch on one more problem—the material and technical equipment of ASS [emergency rescue service] bases and regional search and rescue bases. The continuous shortage of transportation facilities, the latest maneuvering parachute equipment, communications facilities, specialized clothing, uniforms—this is typical of their dismal workday routine. We may add to this, as an example, the lack of common communications frequencies in different departments. I will cite the example of a vessel in distress on the Black Sea. The helicopter that was called out hovered over it at 100 meters. It could not communicate directly with the captain because the sailors were using another radio frequency. Communication was maintained with the Sochi Airport, which contacted the maritime port, which in turn asked the vessel what kind of assistance it needed. Then the information went back to the helicopter by this same chain.

We need not mention that departmentalism is harmful in emergency rescue operations, but experience compels us to keep repeating this axiom again and again.

Here is an anecdotal example. The parachutist's equipment includes a knife to cut the shroud lines if he is suspended in the trees or when there are other emergency circumstances. But during an operation there are occasions when a more effective cutting tool, such as a hunting knife, is required. However, you cannot obtain one unless you are a member of a hunting collective or have special authorization.

I would like to conclude my thoughts on this subject with this: throughout time human life has been more precious than anything, and the public has praised the ones who saved lives. So why, when we have experienced grief and seen the loss of hundreds and thousands of human lives, do we continue to economize insignificant things and lose millions afterward? Why are the young persons at the regional search and rescue bases, the ones who rescue others, not insured themselves? Why does their help come late at times? Isn't it because the country's search and rescue service has not become a service, it is not financed by the state, and it is living on the funds from incidental contracts?

In France, for example, as well as in other Western countries, this is a state service, and one of the most important ones; the service and its regional centers are supported by the state budget. Isn't that why the rescuers here arrive at the site of a tragedy in 15 minutes, not in a day, as they did on Mount Elbrus?

## RAIL SYSTEMS

**West Siberian RR Chief on Change to Market Economy**  
914H0204A Moscow GUDOK in Russian 19 Jun 91  
pp 1-2

[Interview with A. Borodach, chief of the West Siberian Railroad, by GUDOK special correspondents V. Ankeyev, V. Vashchenko, and V. Chibisov: "Bound for the Market With Their Knapsack: A Trip on the Trans-Siberian Mainline by Soviet and Foreign Journalists"]

[Text] Novosibirsk—The West Siberian Railroad is an integral part of the Great Siberian Line which forms the link between regions in the East and the West. The mainline meets the freight and passenger transportation needs of Omsk and Novosibirsk oblasts and Altay Kray. The line is responsible for 6.2 percent of the system's freight turnover. The freight train traffic is 2.2 times heavier than the average for the system, and it is 6.3 times heavier on the main Trans-Siberian route. A. Borodach, chief of the West Siberian Railroad, tells our correspondents about the problems the line's collective has encountered in the period of transition to the market.

[Borodach] First of all, the decline in transportation volume is a common problem for the country's transport workers. It dropped by 10 percent in five months this year. Naturally, there is less income as well. How do we survive under these conditions, retain our collectives, and provide for the mainline's stable activity? Unemployment is about to break out officially here. There are almost 1,600 more engineers working on the line than last year. And this is when the volume of freight has declined and wages have increased. What do we do here? Engage in wage leveling? Let us assume that a wage of 300 to 400 rubles [R] is set for each engineer, but such earnings will make them run away from us. Or should we reduce the number of locomotive brigades?

We have chosen this course: bringing the number of employees into conformity with the volume of work being performed. Everything will take place within the framework of the law, without violating a person's rights.

[Correspondents] It is good that the law is being followed, but after all, it takes more than a year to train the specialists who are being cut back. What if the transportation volume increases suddenly, where will you get them later on?

[Borodach] It will not increase suddenly. Our industrial production has been cut back by 30 percent. In the history of the world, the maximum annual increase—17 percent—was recorded in Japan, and it was 9.0 percent in China; but with our capabilities, the maximum was 3.5 to 5 percent, so we

should not expect a miracle in the near future. Moreover, by reducing the size of our staff, we are not letting people go. They will be working on the railroad, but in other specialties. For example, we are suggesting that the same engineers work in the construction organizations of the dortsrest [railroad construction trust]. The supervisors of transport enterprises are already conducting the appropriate training and explaining the point of the new work assignments. So we tell the engineer: you work for two years in construction and we will do everything to see that you do not lose your vocational skills. We guarantee that you will be returned to your locomotive when transportation volume increases.

[Correspondents] And how will they retain their vocational skills?

[Borodach] No particular problems will arise here. After all, there is a procedure in transportation: if an engineer does not drive for three months, he must be tested before he sits at the controls again. So in our case as well, we can provide for weekly retraining courses, for example, simulator exercises, and a probation period in an electric locomotive over a certain period of time. In a word, we are working out the machinery, and it is not complicated. The backbone of the collective should be retained; otherwise we will have even more difficult problems tomorrow.

[Correspondents] And how have the people taken this unexpected innovation?

[Borodach] I met recently with locomotive brigades at the Moskovka Depot and told them about it. There was an uncertain reaction. The people are thinking over the suggestions at present. But after all, such measures are not usually taken when things are normal.

[Correspondent] After hearing the line described as the one with the heaviest freight traffic and the link between East and West, and so forth, we have had occasion to hear the following as well: the West Siberian Railroad may come to a stop. Mainly because of the unsatisfactory condition of the track. Major repair of the track is not being carried out in full every year.

[Borodach] Yes, that is true. Capital repair is overdue on nearly 40 percent of the track that is now in use. The main reason is the lack of ties. This is a problem throughout the system. All the same, the MPS [Ministry of Railways] found the opportunity to do what it could to help us. This year, while all the lines received 420,000 ties, the West Siberian Railroad alone received 120,000 of them, which made it possible for us to fulfill the capital repair plan by 101 percent in May. However, if we compare the volume of work performed, it was planned to normalize 353 kilometers of track this year, whereas we completed 752 kilometers in 1988. Generally speaking, we must repair no less than 700 kilometers each year on the West Siberian Railroad; only under this condition can we set the situation right.

[Correspondents] Let us look at this problem in a different way. Is it worth it to ask for ties to be provided when you yourselves are living in a forested region and it may be simpler to haul out the timber yourselves?

[Borodach] There is no timber industry in Novosibirsk Oblast. But there is in Tomsk Oblast. But the procurement agents and producers have reduced the production of ties. They are more worried now about the social and ecological problems than production problems. Replacing wooden ties with concrete ones is another matter. We could shift the entire track to concrete on the sections that are lightly traveled. Such sections exist in the Altay and Omsk divisions. We have been asking the line's main administrations about delivering concrete ties for three years now, but the problems are not being resolved. Because of the lack of fasteners. We should be about to receive an automated production line from Germany to manufacture the fasteners, and perhaps the situation will improve then. But there are enough problems as it is. The railroad is being supplied very poorly with switch ties, attachments, spikes, and tie plates.

[Correspondents] We know that the railroad has metal scrap. Why not conclude direct contracts of the barter type with the metallurgists? We give you the scrap, you give us the metal. This is more to your advantage than using the services of a middleman—the Vtorchermet [State Trust for the Procurement and Processing of Secondary Ferrous Metals], which only robs the one who turns it over.

[Borodach] First of all, we are using the old parts over again. For example, we are laying up to 70 percent of the framework from the main tracks on arrival and departure tracks and sidings. Only defective parts with considerable deterioration go into the scrap. Moreover, metallurgy is one of the high-priority sectors of the national economy. The state order for production there makes up 90 percent of its output volume, so they simply have no free metal.

[Correspondents] Aleksandr Konstantinovich! Novosibirsk has become the center for celebrating the anniversary of the start of construction on the Trans-Siberian Mainline. A huge fair has been held in the city with the participation of foreign firms. What has it provided for the railroad? Have you been able to conclude any useful transactions?

[Borodach] We originally wanted to hold an anniversary exhibition, but later the "Siberian Fair" Association, which invited foreigners, made arrangements with us. Only in order to do business with them we need foreign exchange. The railroad does not have any. They brought in a passenger railcar from Germany. A fine car, and we would be happy to take it. But it costs more than a million. And in foreign currency as well. Where are we to obtain it? Or the Australian firm which manufactures heavy machinery for track operations, which showed its product. Foreign currency required as well. Moreover, we need two or three machines, but the firm is offering only large consignments. So only the Ministry of Railways can handle the transactions with foreign partners. We have not concluded any contracts with firms, but we were able to sign a contract for the delivery of nonliquids and various equipment for the domestic market. I do not think we were the losers from the fair.

[Correspondents] All the same, do you have the opportunity to earn foreign exchange yourselves?

[Borodach] In the strict sense it is rather complicated to do this, but we are engaging in barter. We have concluded rather good transactions with China. Last year, barter with our neighbors added up to 1.25 million Swiss francs. We receive scarce consumer goods, clothing, footwear, canned food, and so forth from China. We are sending old rails there in exchange for the same rails. Some 150 Chinese have come to work with us as maintenance men, and they are fine workers.

[Correspondents] Why is that? We were just talking about the coming unemployment on the railroad and here we are inviting people from another country?

[Borodach] Let us be more specific: a person who has not been able to find work in his specialty is considered to be unemployed. After all, that same engineer will not go to work in rigorous line operations. So we are correcting the state of affairs in the railroad's most difficult sections at least a little. There is mutual benefit here for both sides.

[Correspondents] Aleksandr Konstantinovich, the transport volume has fallen and income has declined. This is also reflected in the people's material welfare. But nearby there are cooperatives, where a person receives twice and even three times as much for the same work. It is no secret that the "long" ruble has enticed railroad workers as well. How do you survive and keep able-bodied collectives under such circumstances?

[Borodach] First of all, we must arouse a person's interest, including materially, and this means looking for additional sources of income: by developing the production and organizing the output of consumer goods and by resolving social problems more rapidly and effectively.

Take the locomotive workers at the Moskovka Depot, for example, who took over a brick plant. This is their second production facility. They will be turning out a product this year. The plant is situated in the rayon center. The locomotive brigades will be going there to work on shifts. The cost of 1,000 bricks is now up to R500. This is profitable both for the enterprise and the people. But what about the workers at the Kombinatskaya steaming station? They are using tank cars that have been written off to make tanks for garden and country house plots, and the people are gladly purchasing them. At this same place, they have mastered the French technology for growing meadow mushrooms, which they are supplying to the rail hub as a whole. They are also planning to earn foreign exchange with this. At Barnaul and other railcar depots, they are building garages out of the railcars that have been written off. Three persons are engaged in this work at each enterprise. Each one of them makes two garages in a month at a cost of R1,500 to R2,000. Isn't this really a substantial addition to the depot's cashbox? We would like to have each collective make use of every opportunity to obtain additional income. Practically all the railroad's enterprises have put some consumer goods into production now.

[Correspondents] But how about food? Isn't providing food for the people the most urgent problem of these times?

[Borodach] Nearly every labor collective on the mainline has its own subsidiary farm. We would be happy if their hands were full with mixed fodder. Sometimes there is nothing to feed the hogs, no matter what they do. The centralized deliveries are useless.

We have now taken another route. We are acquiring entire sovkhozes as property. One of them, in the Barabinsk Division, is 8,000 hectares in area, a second one in Novosibirsk Division has 42,000 hectares, and a third one in Omsk Division has 18,000 hectares of land.

We are looking into the question of establishing the same kind of large farm in Altay Division as well. What is most attractive about these farms? Aside from the food products, we will be providing all the mixed fodder needed for our subsidiary farms from these sovkhozes. And later on, local residents will work on the sovkhozes, so we will not need to take city residents there. We are developing private farms. There are no obstacles to the acquisition of garden plots or orchard land. There has not been one case in which local authorities have prevented railroad workers from obtaining them. If you want them, take them.

[Correspondents] A second and no less urgent problem for railroad workers is the housing. What is the situation on the railroad at present?

[Borodach] In order to provide good housing for everyone who wants it, no less than 2,000 apartments must be commissioned in a year. But this is not happening. In adopting the plan for this year, we found it possible to finance the construction of only 34,800 square meters. But we turned over 80,000 square meters in 1988, 76,000 in 1989, and 75,000 in 1990. Now the new minister of railways is devoting particular attention to the housing construction problem. We have been trying to find additional funds as well. The Omsk Division has added 11,000 square meters to the plan outlined. Other divisions have been handling the matter in the same way. On the whole, I think we will come out at last year's level; this means that 1,200 to 1,300 employees will be settled in new apartments. We are developing all forms of construction on the mainline.

The Karasuk Locomotive Depot has turned over 20 cottages this year. The new settlers built them individually themselves and the depot provided them with materials and equipment and interest-free loans. The Altay Locomotive Depot collective has taken over an entire microrayon to build individual houses. Heating and water supply lines are now being connected, and 150 families will receive cottages here.

[Correspondents] Aleksandr Konstantinovich, we cannot avoid attention to the problem of protecting railroad employees' health and the state of affairs in medicine and public education.

[Borodach] We have already scheduled these problems for consideration at the next technical-economic council. As far as the physical base for medicine is concerned, each division has its own clinics. Last year a new polyclinic was put into operation at the Isikul station. Construction of a 100-bed hospital is about to be completed here as well. A new hospital has also been built in Barabinsk. It is planned to build medical institutions at each junction in the future. We are doing everything to make things easier for our women. Women are not used at all for work on certain line sections. But we cannot proceed indiscriminately here. I recently asked the assistant stationmaster at Isikul about releasing women from the night shifts, and she responded: I am not 40 years old yet, and the earnings are good. I like the work schedule: after a night shift I have two days off. This schedule suits me completely. So we need to consider where they can be released, and where there is no reason to release them. And later on, women are indispensable in work that is as responsible and intensive as that of an assistant stationmaster. In a word, we have enough problems in our work. But we are not sitting idly by and we do not intend to give in to difficulties. I believe in the Trans-Siberian Mainline's future.

#### Railroad Computer Analyzes Accidents, Safety Violations

914H0204B Moscow GUDOK in Russian 19 Jun 91 p 2

[Report by R. Shtepa, editor at the Northern Railroad press center: "The Computer Is Our Helper"]

[Text] Yaroslavl—The "USSR Fund for Railroad Safety" Association was established not long ago to develop an efficient, reliable system to provide information and analysis of wrecks, accidents, and traffic safety violations. Advanced computer technology has come to the aid of the railroad employees. In the Traffic Safety Main Inspectorate, the green light was given for a multilevel automated control system. First it was decided to prepare the technical specifications, to include the development of an automated workstation for an inspector-dispatcher and the preparation of reference information on the traffic safety requirements in effect. An automated workstation will be developed for an inspector for the administration and the railroad division with similar functions, record-keeping has been organized, and the methods of responding to the engineer's comments have been specified.

At the same time, the collective of the Northern Railroad has been charged with utilizing this system to perform the automated tasks of collecting, processing, and analyzing the data on safety violations in train and switching operations. The main inspectorate, together with the "USSR Fund for Railroad Safety" Association, has allocated 290,000 rubles to the railroad to prepare the programs and obtain the computer hardware.

The Northern Railroad was one of the first lines to be a member of the association. A. Kramerov, the railroad's deputy chief traffic safety inspector, stresses that inspectors today are using an automated system to organize shipment control and the issuance of reporting and

record-keeping documents on departures for the day, week, month, quarter, and year, and they produce the reports on traffic violations for transmission to the sector's headquarters. They monitor the quality and timeliness of traffic safety investigations and emergency situations involving the consists which carry hazardous freight on the lines. Measures have been stipulated for expeditious verification that orders and directions are carried out and that engineers' suggestions and comments are acted upon. Together with the VNIIZhT [All-Union Railroad Transport Scientific Research Institute], they are studying the possibility of providing reference information on the means and resources to cope with emergency situations on a line.

The VNIIZhT and the Kharkov, Belorussian, Moscow, and Rostov railroad transport institutes have undertaken to develop a system which will make it possible to detect and predict the causes of traffic safety violations and to take steps to prevent them. The expert system will make it possible to predict nonstandard situations on the country's railroads. The initial program package will be proposed this year. However, the new system cannot come to life without participation by the specialists of other railroads. For this reason, the Northern Railroad is waiting for their suggestions, and it can help them by sending them the necessary documentation.

#### Ivashko Attends Railway Party Meeting

914H0201A Moscow GUDOK in Russian 22 Jun 91 p 2

[Article by Ye. Malyuta: "The Primary Party Organizations Are at a Crossroads: Meeting With V. Ivashko at the Ministry of Railways"]

[Text] Moscow—Yesterday at the Ministry of Railways there was a meeting between V.A. Ivashko, deputy general secretary of the CPSU Central Committee, and leaders of the party committees of the administrations of the railroads, enterprises, junctions, and other transport sub-units. Leaders of the Russian Communist Party Central Committee, L.I. Matyukhin, minister of railways of the USSR, leaders of the Ministry of Railways apparatus and of a number of railroads, and former minister N.S. Konarev took part in this meeting.

For the deputy general secretary this was just one more scheduled meeting, but it was something more than that for the railway men. They had every reason to expect to hear a useful and constructive dialogue. And, it seems, the beginning gave them cause to hope for this. This is what the speakers said at the microphone.

L. Stashaytene, secretary of the party committee of the Vilnius division:

"We, the Communists of the division, appeal to the CPSU Central Committee for help. The situation in our republic is complicated. If we can bring social calm, then much in the lives of the people will change for the better. However one cannot count on this given the laws adopted by the parliament of the republic. By 3 November each resident must decide whether he will

accept Lithuanian citizenship. Privatization of housing is underway. Residents must pay 220 rubles [R] for each square meter, and beginning 1 January of next year—R1,000. Where can we get that kind of money?

"According to the law on political parties, the CPSU is considered banned, and punishment for violation of the law is stipulated, including the death penalty. Soviet holidays have been abolished in the republic. We have to hold our rallies under the protection of the military.

"Discriminatory laws are forcing railway men to leave Lithuania. But the laws of the USSR still exist after all, so why are not they protecting us—and not just the Communists but each and every worker?"

V. Potapov, secretary of the party committee of a division of the Moscow Railroad:

"The same issues are constantly troubling me: Why is there such apathy in the leadership of the party, why do we not see the secretaries of the Central Committee, and why do we lose elections time after time? I would like to hear answers to these questions. Furthermore, why do we doubt the influence of the Communists in production? What should Communists be doing if not this? At present it is very difficult to work because the people do not trust us any more. Communists do not know where to direct their energies, and by rights they are a fund of gold for the labor collectives."

V. Yakovenko, secretary of the party committee of a division of the Belorussian Railroad:

"During the strikes that occurred throughout our republic our railway men did not take part, they did not blockade the Orsha station, and they did not create strike committees. And this reflected the will of the Communists. Now other problems are troubling us. There is a schism in the republic's party organizations: 'Communists for Democracy,' a group which has been created, puts all responsibility for the collapse on the leaders. Some 130 people left the CPSU at the Minsk Russia junction alone. This process is taking place in other transport party organizations as well. There are various reasons for it: Negative feelings toward the leaders both in the center and in the republic, and large party dues. In addition, there is indiscriminate criticism of Communists, and many of the mass media are in the hands of opposition forces. These days the primary party organizations have found themselves faced off against the opposition. On the railroad the junction party committees are being eliminated in a completely unjustified fashion."

The participants of the meeting asked a timely question: Why does the party, which on the whole defends the interests of the people, not have an influence on the president of the country, who is simultaneously the head of the CPSU? There were very many questions.

In a rather prolonged speech V. Ivashko tried to give answers to some of them. I do not know how others felt about these answers, but they did not satisfy me personally.

The general, vague answers of the guest, as it seemed, compelled the party leaders to ponder matters even more and sowed even more doubts in their minds. The meeting demonstrated that the huge distance between the leadership of the party and the primary organizations has at least been preserved if it has not increased. And the guest himself probably felt this as well as he finished his speech with the sacramental phrase, "Everything is complicated, very complicated!"

It is clear that these days the party organizations in transportation must depend on themselves and, given existing circumstances, search for the path of consolidation. The first step has been made: The day before the meeting the secretaries of the party committees of the network decided to create a council of secretaries for coordination of political work in the transportation collectives and for resolution of production and socioeconomic tasks.

#### Authorities Investigate Train Mine Incident

914H0201B Moscow GUDOK in Russian 22 Jun 91 p 4

[Article by S. Petrov under the rubric "Event": "Dangerous Games"]

[Text] Saratov—Late at night when the travelers were sleeping, the Simferopol-Irkutsk passenger train No. 375 arrived at the Saratov-1 station. The few who were preparing to exit hastened to the door. The conductor of the eighth car tried to open the door in order to let out the arrivals, but she had some difficulty: the door was held shut by some kind of metal object. Then, without thinking much about it, she untied the object and threw it aside.

But the conductor in the neighboring car, having observed a similar object on the outside step, immediately guessed that it was a question of a lethal object. He then sounded the alarm. The news reached the guard of the Volga Division of Internal Affairs of Transportation as well as the transportation militia and the local department of the KGB. And indeed, antitank mines were found on the outside steps of the two cars of that train. But were there similar toys in the other cars?

Together with railway men, employees of the militia disturbed the peace of the passengers, among whom there were children, led them from the cars, and combed and examined all the cars. And when they were convinced that there were no other mines, demolitions experts took their finds and... left.

No. 375 idled three hours at the Saratov-1 station and then went on. Who caused the nighttime commotion and the unpleasantness for everyone? And where did they get the mines, even though they were only training mines?

As it turned out, the passenger train had made a scheduled stop at the Primykaniye station, where a platoon of military combat engineers were stationed. Apparently one of them had taken these training mines from the warehouse and tied them to the cars. Nonetheless, who was the perpetrator of the event? The appropriate organs are conducting an investigation.

**Rail Passenger Service Improvements, Problems Examined**

*914H0205A Moscow ROSSIYSKAYA GAZETA  
in Russian 25 Jun 91 p 1*

[Interview with Valeriy Shatayev, chief of the Passenger Main Administration of the Ministry of Railways, by Irina Taburyanskaya: "Some Success in Patching the Holes"]

[Text] Today we can talk about some improvement, about "patching the holes" in railroad transport's passenger operations, but not about improvement in its quality. This is the view expressed by Valeriy Shatayev, chief of the Ministry of Railways' Passenger Main Administration.

[Taburyanskaya] Aren't you exaggerating, Valeriy Nikolyevich?

[Shatayev] No. Quality is an economic category. The people are justifiably complaining about the low level of service: the old railcars with their broken glass, the worn-out bed linen, which is sometimes damp. I do not dispute that some of the complaints addressed to railroad employees are completely legitimate. But there are areas where we are helpless. After all, we have been obtaining all our compartment cars, sleepers, and dining cars from outside the country, and we still do. There is only one plant in the Soviet Union—in Tver—that is turning out reserved cars. After Germany's reunification, the cost of imported rolling stock increased sharply, and payment must be made in freely convertible currency. This year Germany will send us 1,022 new railcars. But 14,000 of them need to be replaced!

We have a chronic shortage of lumber, metal, glass, bed linen, detergents, and other items, without which we cannot repair and provide the normal equipment for railcars.

[Taburyanskaya] But there probably have been some changes.

[Shatayev] Beginning in summer we have opened new passenger routes: Kharkov to Tynda, Kishinev to Adler, and Moscow to Chernovtsy. Additional trains and through railcars have been assigned from Moscow to Belgrade, Moscow to Cologne, Kiev to Munich, Lenigrad to Cologne, Chernovtsy to Sofia, Novosibirsk to Beijing, and Chita to Beijing. The number of long-consist passenger trains (up to 20 to 24 cars) has been increased. There will be about 240 pairs of them every day.

The capabilities of our automated ticket sales system, the "Ekspress-2," which covers hundreds of cities, have been expanded considerably. A train ticket now can be made up there for any point in the country. Any ticket counter linked with the ASU [automated control system] can issue them.

[Taburyanskaya] Many persons have the impression that the increase in rates clearly does not correspond to the level of services provided.

[Shatayev] It is not a simple matter. The increase in rates has not made up for the repeated increases in the price of rolling stock, equipment, and materials. And passenger transportation will be unprofitable this year. The deficit will add up to roughly 260 million rubles.

I would remind you that the prices for tickets on long-distance trains have increased on average by 1.7 times as much, and tickets on suburban trains have risen by two to four times as much. This is precisely what leads to dissatisfaction among the public. I believe that the dissatisfaction is warranted. This has had a substantial impact on the resources of many families. I am convinced that prices should be brought into line with expenses, but this cannot be accomplished in spurts this way. The experience in foreign countries is available. Rates are set there with the participation of those enterprises and organizations whose members make use of the railroads' services. Subscription tickets are purchased for them at full cost, and this makes it possible to sell tickets for other sectors of the public at preferential prices. In this case, the rates for a trip in suburban service would increase by only 1.5 times as much. However, this has not met with a response.

[Taburyanskaya] Let us recall the incident last year when the sale of tickets on international trains for rubles was suspended. At that time the government allocated a certain sum of foreign currency for these purposes. What is the situation at present?

[Shatayev] At the beginning of the year we stated that the foreign currency allocated would be sufficient for Soviet citizens to pay for trains abroad until May or June. And this is what happened. A number of foreign railroads already have made claims that are absolutely justified, and it is entirely likely that they may refuse to accept Soviet railcars and trains at any moment. The situation can be resolved only at the government level. After all, I repeat, the Ministry of Railways receives the foreign exchange for these trips from the state.

[Taburyanskaya] Some 30 railroads in the country and a number of organizations are members of the International Passenger Transportation Association, which was recently registered. You were elected its general director. How can this organization really change the state of affairs in international service?

[Shatayev] Our association intends to operate exclusively on the basis of carriers' functions and to become an equal partner with organizations in the tourism field. Each year seven million foreign tourists visit our country, and 50 million want to pay a visit. I am not speaking about the vast unmet demand among our fellow countrymen for tourism trips. Inasmuch as "Inturist" is engaged in organized tourism, we intend to assume responsibility for serving a different group of citizens. There are plenty of untapped opportunities here.